Austria	Sch22	Indonesia	Rp3100	Portugal	Esc100
Bahrain	Din0.650	Israel	NS3.50	S.Arabia	Rls6.00
Belgium	BFr48	Italy	L1600	Singapore	S$4.10
Canada	C$1.00	Japan	Y600	Spain	Pta125
Cyprus	C£0.75	Jordan	Fils500	Sri Lanka	Rup30
Denmark	DKr9.00	Kuwait	Fils500	Sweden	SKr8.00
Egypt	E£2.25	Lebanon	$L100.00	Switzerland	SFr2.20
Finland	Fmk7.00	Luxembourg	LFr48	Taiwan	NT$85
France	FFr6.50	Malaysia	Rin4.25	Thailand	Bht50
Germany	DM2.20	Mexico	Pes300	Tunisia	Din0.800
Greece	Dr100	Morocco	Dh6.00	Turkey	L500
Hong Kong	HK$12	Netherlands	Fl3.00	UAE	Dh6.50
India	Rup15	Norway	Nkr7.00	USA	$1.00

FINANCIAL TIMES

EUROPE'S BUSINESS NEWSPAPER

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Exxon: plenty of cash but nowhere to spend it, Page 18

World News

Japan set to join Star Wars research

Japan and the United States are expected to sign an agreement today for Japanese companies to join the US Star Wars anti-missile research programme.

Japan would become the fifth US ally to join the effort to develop lasers and other weapons capable of destroying nuclear missiles and warheads in flight.

Japan Soviet spycatch

Japanese police are investigating the possible illegal transfer of aeronautical technology to the Soviet Union. Police believe a Japanese airport official has been selling millions of dollars worth of technology since 1984.

No Greek 'terrorist' link

The US said it had no intention of accusing Greece of having contact with Palestinian guerrilla groups but that its only intention was to co-operate on international terrorism.

Sweden hunts subs

Swedish navy helicopters dropped grenades and depth charges in a hunt for mystery submarines suspected trapped in the Gulf of Bothnia between Sweden and Finland.

French Awac talks

France has opened talks on buying a fourth Airborne Warning and Control System radar aircraft from the US company Boeing.

Pupils protest

Hundreds of coloured (mixed race) students and teachers held a demonstration in Cape Town to protest against radical teachers being brought before disciplinary panels. A home-made bomb was thrown at a police vehicle injuring an officer.

Two aircraft lost

Two light aircraft with seven people on board were feared to have crashed in the Swiss Alps. Two Cessnas, flying from Elba and Germany, were both reported missing after failing to arrive at their destinations.

S. African air links

Zimbabwe and Zambia ruled out cutting air links with South Africa as part of a Commonwealth-sponsored package of sanctions to force the government to change its apartheid policies.

Sri Lankan strike

More than 6,000 Sri Lankan nurses have joined 2,000 striking doctors and dentists in a protest over state examinations policies. The nurses remained on hospital premises but were not attending to patients. A nurses' rally in Colombo was dispersed by police using tear gas and batons.

Ariane launch date

The European satellite launch company has provisionally set Sept. 11 as the date for the resumption of launches, suspended in February after ignition problems.

Ministries merge

Four Soviet ministries responsible for equipping agricultural and industrial enterprises have merged to form two new ministries in an effort to increase efficiency, Tass reported.

Gothenburg port stops

An inter-union row over crane operators' representation paralysed Sweden's largest port and forced vessels to divert to other European ports. The stoppage is estimated to lose the port $230,000 a day.

Dutch marijuana haul

Dutch customs officials discovered two tonnes of marijuana with a street value of $5m in a sailing boat off the northern Dutch coast.

Convict slithers away

Police in Stockholm were hunting a convict who squeezed his naked margarine-greased body through a 36 by 15 centimetre cell window of a Swedish jail.

Business Summary

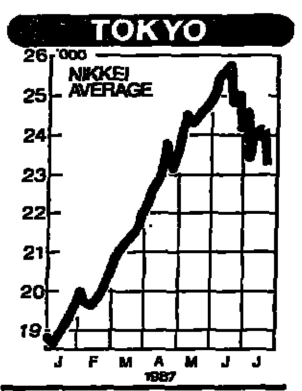
Modest loss at Merrill Lynch

MERRILL LYNCH, big US brokerage firm, reported a modest 8.6 per cent drop in second quarter net income to $83.3m or 76 cents a share, despite taking a previously announced $155m after-tax charge trading losses in its mortgage-backed securities business. Page 21

WALL STREET: The Dow Jones industrial average closed down 22.32 at 2487.72. 44

LONDON: A technical setback was compounded by a range of domestic and international factors. The FT-SE 100 index closed 28.0 lower at 2,400.7 and the FT Ordinary index was down 27.3 at 1,889.6. Gilts lost more than 1 point at the long end. Page 44

TOKYO: A weaker yen and the falling bond market depressed stocks and sent the Nikkei average down 654.81 to 23,328.64, its third biggest one-day loss. Page 44



GOLD rose to $451.25 on the London bullion market ($450.50). In Zurich it remained unchanged at $450.95. Page 32

DOLLAR closed in New York at DM1.863, Y152.725, SFr 1.5485 and FFr6.1975. It rose in London to DM 1.8620 (DM 1.8585); it also rose to Y152.80 (Y152.75); to SFr 1.5505 (SFr 1.5475); to FFr 6.1950 (FFr 6.1850). On Bank of England figures the dollar's exchange rate index rose to 103.9 from 103.7. Page 33

STERLING fell in London to $1.6020 ($1.6085); to DM 2.9825 (DM 2.99); to Y244.75 (Y245.75); to SFr 2.4850 (SFr 2.49); and to FFr 9.9250 (FFr 9.9475). The pound's exchange rate index fell to 73.0 from 73.1. It closed in New York at 1.5985. Page 33

DOW CHEMICAL, US chemical multinational, posted second quarter net income 40.5 per cent higher at a record $312 on strong volume gains and firmer prices and the company forecasts an "outstanding" third quarter. Page 21

SCHLUMBERGER, US oilfield services company which is suffering from weak North American oil exploration activity, reported a halving of its second-quarter net income to $30.1m or 11 cents a share. Page 21

BANKERS' TRUST of the US is to set up a joint venture in Turkey with the Turkiye Is Bankasi, in a move that represents a belated entry into the Turkish market by Bankers' Trust which has had a representative office Istanbul for several years.

NIPPON STEEL has established a housing finance company in New York in a tie-up with two other Japanese companies – the Industrial Bank of Japan and Tokyo Boei.

ALCOA of Australia, the subsidiary of the Aluminium Company of the US and one of the world's largest suppoiers of alumina, reported dramatically increased interim profits on a sharply expanded turnover.

JAPAN'S Ministry of Finance intends to tighten its surveillance of bank lending for property deals in an effort to curb speculation which has rapidly forced up land prices in the country's urban areas.

CONTINENTAL tyre company chairman Helmut Werner is to be named as a new board member of Daimler-Benz this week as part of the process of strengthening the management of the diversified West German motor group. Page 23

Security Council orders immediate ceasefire in Gulf

BY OUR FOREIGN STAFF

THE UNITED Nations Security Council yesterday ordered Iran and Iraq to observe an immediate ceasefire in their seven-year war and thretened "further steps" - a code term for an arms embargo - against whichever side fails to comply.

The Council's resolution invoked the mandatory provisions of the UN charter, citing articles 39 and 40 which refer to threats to peace. Subsequent articles provide for enforcement measures, including a military blockade and dispatch of UN troops.

If Iran ignores the demand, the 15-nation council will meet to consider a follow-up sanctions resolution.

However, in the hope that this first move proves effective, the Secretary-General, Mr Javier Perez de Cuellar, has been requested to dispatch UN observers to the Gulf to "verify, confirm and supervise the ceasefire and withdrawal" of the two sides' forces to internationally recognised boundaries without delay.

Iran and Iraq are called upon to co-operate with Mr Perez de Cuellar in implementing the resolution and in his mediation efforts to achieve a settlement acceptable to both sides.

In Washington last Friday, President Reagan and the British Prime Minister, Mrs Margaret Thatcher, who discussed the Gulf crisis during her visit, urged the Secretary-General to go to Teheran and Baghdad on a peace mission. Although he is said to have been reluctant, Mr Perez de Cuellar is expected to undertake the task, probably visiting the Gulf after he attends the Organisation of African Unity summit meeting in Addis Ababa.

He has already announced that he will leave New York for Ethiopia next friday.

The Security Council resolution, the result of lengthy negotiations that grew out of a proposal made last November by the then British chief delegate to the UN, Sir John Thomson, is one of only a few that have invoked the mandatory provisions of the charter and commanded the strong support of all five permanent members - the United States, the Soviet Union, Britain, France and China.

Historic though the UN action may be, the next phase is almost certain to be much more difficult. Some 30 countries are reported to be supplying arms to either one or other or both sides in the Gulf war and obtaining agreement to an embargo may test politics and diplomacy to the limit, diplomats admit.

Nonetheless, the United States appears determined to press for sanctions if Iran ignores the ceasefire order.

In a gesture to the Iranians, the authors of the resolution requested Mr Perez de Cuellar, in consultation with the two sides, to explore the question of setting up an inquiry into responsibility for the war.

Iran has blamed Iraq for starting the war and has repeatedly accused the Security Council of showing bias in Iraq's favour.,

A reference in the resolution to a demand for the discontinuance of all military actions "on land, at sea and in the air" was prompted by concern for freedom of shipping and the repeated attacks that have been made on tankers and other vessels by both sides.

The council's decision to act without further delay was timed deliberately to precede the reregistration of Kuwaiti tankers, which are scheduled to take on American masters and begin flying the stars and strips later this week. Iran has called this a provocation by washington that may be met by force.

Sir Geoffrey Howe, the British Foreign Secretary, who returned to the United States to join the Security Council debate after his Washington visit with Mrs Thatcher last week, spoke of Britain's prominent role in the discussions from their very beginning and praised Sir John Thomson's energy and dedication in initiating and promoting the effort.

"The adoption by this council of mandatory action under Chapter VII of the charter should send a clear signal to both sides," Sir Geoffrey told the council.

Paris siege, Page 2

Air Europe seeks routes from British Caledonian

BY MICHAEL DONNE, AEROSPACE CORRESPONDENT

AIR EUROPE, the independent UK airline owned by Mr Harry Goodman's International Leisure Group, is offering to buy the European and domestic short-haul routes of British Caledonian Airways for £50m ($80m).

This offer came late yesterday, after BCal, which is proposing to merge with British Airways, released a summary of its submission to Sir Gordon Borrie, director-general of the Office of Fair Trading, arguing that there was no need for the merger to be referred to the UK Monopolies Commission.

To make such a referral, said BCal, would cause delay that might damage its commercial position. Moreover, the summary suggested that BCal and BA might be prepared to allow some other independent airlines to take over some of the current routes where there was duplication of effort.

This appeared to be swept aside by Mr Goodman, who has already applied to the Civil Aviation Authority for revocation of BCal's short-haul European and domestic operations and their reallocation to Air Europe.

A statement by Mr Goodman, on behalf of Air Europe, said that if accepted, his offer to buy the BCal short-haul routes "might significantly reduce" the pressure for a Monopolies Commission reference.

Moreover, it would "result in a more satisfactory future for competition within the UK

Noting that the big institutional backers helped him stage a management buy-out of Air Europe last year, Mr Goodman declared that the money would be available if BCal agreed to such a sale.

Mr Goodman has written to both Lord King, chairman of BA, Sir Adam Thomson, chairman of BCal, and to Lord Young, the Trade Secretary, to put his case.

Mr Goodman says he wants up-to-date figures and details of the BCal operations involved, but pending these he estimates the deal would cost around £50m.

The deal would involve Air Europe taking over some 13 aircraft from BCal, together with an estimated 800 to 1,000 staff, the route licences involved, maintenance facilities and the take-off and landing "slots" at Gatwick.

Currently Air Europe has 14 aircraft and another 10 due for delivery in the next two years.

Mr Goodman said that the Air Europe offer would be "fully in accordance with Government policy and the best interests of the public

Mr Goodman's offer was given a frosty response last night by BCal. It was pointed out that a firm offer from BA for BCal was already on the table, and took precedence over anything else, and that in any event, both BA and BCal were determined to keep the BCal operation intact.

US securities industry says it is losing world market share

BY RODERICK ORAM IN NEW YORK

THE RAPID rise of Japanese equity markets over the past decade has dramatically eroded the dominant role of the US in the increasingly international marketplace, according to a study by the New York-based Securities Industry Association.

Worldwide equity capitalisation soared to $5,616bn last year from $1,150bn in 1975, but the US markets' share shrank to 39.2 per cent from 61.2 per cent in 1975. Japanese markets grew to 31.8 per cent from 12.3 per cent. Other market shares were little changed with, for example, the UK ranked third in both years with 8.4 per cent in 1986 against 7.5 per cent in 1975.

The explosion in primary and secondary market activity and internationalisation was fuelled by a "hospitable economic and regulatory climate and significant advances in technology", the SIA said.

International financial markets also benefitted from the strong trend away from traditional forms of bank lending to "securitised" financing, such as bonds and stocks. Thus, securities accounted for 87 per cent of the $367bn raised on international markets last year, up from 44 per cent of $175.6bn in 1982. Over the same period, Euro-loans declined to 13 per cent of the total from 56 per cent.

The number of international stocks, defined as those traded daily on at least one market outside their home one, rose to 493 last year from about 240 in 1983. The volume of new Euroequity issues reached $12bn, more than double the total for the three previous years combined.

Eurobond issues remain by far the biggest form of financing, raising $183bn last year compared with $46.8bn in 1982.

In contrast to the US's declining role in stock exchanges, it continues to account for the bulk of financial futures, options and other forms of derivative instruments. Worldwide, the market was worth $655.4bn last year compared with only $81bn in 1980.

The SIA study shows that the rapidly rising involvement of foreign investors in US securities has been one of the key factors behind the growth of international markets. They accounted, for example, for $2,065bn of gross trading volume of US Treasury bonds and bills last year, almost more than the volume 1980-85 combined. On a net basis, they added $24.3bn to their portfolios last year against $15bn in 1980.

Gross activity in US equities was $277.3bn in 1986, against $75bn in 1980. On a net basis, their equity portfolios grew by $18.6bn against $5.4bn in 1980.

Pennzoil files claim for $4.1bn Texaco settlement

By James Buchan in New York

PENNZOIL, the Texas oil company, yesterday demanded $4.1bn from Texaco as the price for settling its mammoth legal dispute with its bankrupt rival.

The demand, which was filed with a New York State bankruptcy court yesterday, is the keystone of an aggressive plan to force the reorganisation of Texaco, which has been operating under the protection of the federal bankruptcy code since April.

Pennzoil's proposal is apparently designed to pre-empt the plan Texaco must itself submit. All of Texaco's other creditors would be paid in full under the terms of the Pennzoil proposal.

At present, only Texaco has the right to file a reorganisation plan before the bankruptcy court and it has sought to exclude its creditors, including Pennzoil, from making their own proposals. Pennzoil is seeking to challenge such exclusion in filing its reorganisation plan.

In its filing, Pennzoil said it was time "to permit Texaco creditors and shareholders to advance creative and viable alternatives to Texaco management's refusal to formulate a plan while they 'bet the company' on the outcome of litigation."

Texaco took refuge in bankruptcy on April 12 after an appeals court in Texas upheld the award of $10.3bn in damages to Pennzoil, which has accused Texaco of illegally meddling in its attempt to buy Getty Oil in 1984. Efforts to reach a private settlement broke down, with Texaco apparently unwilling to offer more than $2bn to end the dispute.

Yesterday's proposal from Pennzoil, which was lodged with the bankruptcy court of Texaco's home town of White Plains, increases the tempo of the dispute, which many on Wall Street believe may be inching towards settlement.

Pennzoil said yesterday that "prolonged delay" through Texaco's "high roller" litigation strategy increased the overall cost of the company's bankruptcy.

"It not only harms Texaco's creditors - whose interest and principal payments are now frozen - but also harms Texaco's stockholders by depriving them of about $750m per year individends," Pennzoil said.

A continuation of Texaco's decision to seek "total vindication" of its actions meant that the claims of creditors and shareholders could be "seriously impaired Pennzoil claimed

Texaco itself has come under pressure from the almost 10 per cent holding built up in the company by Mr Robert Holmes a Court, the Australian entrepreneur.

Cuts in EC steel output to cost $5.5bn

BY WILLIAM DAWKINS IN BRUSSELS

EUROPEAN Community steel companies will need to spend between Ecu 5bn ($5.55bn) and Ecu 6bn on closures over the next three years to bring supply in line with demand, according to the European Commission.

This is the first public indication of the likely total cost to the EC, individual member states and the companies themselves of a controversial steel closure plan in the last stages of preparation by the Brussels authorities. It comes in the wake of the collapse of a separate restructuring scheme by Eurofer, the "club" of major integrated steelmakers.

The Commission's plan was originally due to be adopted for submission to member states by the middle of this month. But the scheme, to be debated again at a full meeting of the Commission today and tomorrow, has run into unexpected delays and is expected to run close to the end of July deadline promised by the Brussels executive.

At the root of the problem is a division between senior Commission officials over how steel closure funds should be raised. Member states are meanwhile equally split - between the most efficient and least profitable steel producers - over the more fundamental question of whether closure subsidies are in any case desirable.

The aim of the Commission's scheme is to find some way of encouraging steel companies to close the 30m tonnes of their existing 140m tonnes annual capacity that it estimates is needed to balance output with lagging demand. EC steelmakers have already closed just over 30m tonnes of capacity since 1980, but are left with a residue of large integrated mills where closure could provoke politically explosive results. Steel companies and the Commission agree that more than 80,000 jobs will have to go to meet the 30m tonne target.

The total closure costs identified by Commission officials include Ecu 4bn to Ecu 5bn of social and regional spending for redundancy payments and new job creation, to be borne in varying proportions by companies, governments and by the EC. Incentive payments to steel companies to shed capacity make up the balance - and this is where the scheme has run into fierce debate within the Commission.

Two ways of raising the cash are being suggested. Mr Karl-Heinz Narjes, the Industry Commissioner, and one of the five senior officals working on the scheme, is understood to favour a complex scheme, whereby steel producers would be al-

Continued on Page 20

Brussels rejects US 'pasta war' plan

BY TIM DICKSON IN BRUSSELS

EC FOREIGN ministers yesterday rejected a US compromise solution to the looming transatlantic pasta war.

The rejection increases the possibility of tit-for-tat retaliation at the beginning of next month, the deadline imposed by the US for resolution of the dispute.

Ministers, however, stressed 'the Community's readiness to continue negotiations with the US with a view to finding a mutually acceptable' settlement.

Washington is displaying increasing irritation at the lack of progress in the talks. For the third successive year, the Americans have set an August 1 deadline on an outstanding bilateral trade issue and are threatening to take unilateral action thereafter unless a satisfactory solution is found.

The pasta question, which has dragged on for several years, hinges on the size of the variable export subsidies paid by the Community to encourage exports of (mainly) Italian pasta.

Mr Clayton Yeutter, US Trade Representative, modified the US position over the weekend by indicating that he would be happy with a 45 per cent reduction in the EC restitutions, rather than 50 per cent as before. The EC, however, is at the moment prepared to concede only a 15 to 20 per cent reduction.

The ministers said the US had no right to impose a deadline on the pasta talks and that the Community would take immediate retaliatory action if the US penalised its pasta exports.

They also reiterated their determination "to respond in accordance with the Community's rights" under the General Agreement on Tariffs and Trade if the US were to take 'unilateral restrictive measures' as a consequence of the Trade Bill.

CONTENTS

CONFUSED POLITICS IN HEAT OF THE BRAZILIAN SUN

President Sarney's party chose not to choose how to vote on a new constitution. Page 20

Iran embassy proves a Mecca for Paris visitors

BY PAUL BETTS IN PARIS

THE IRANIAN embassy in Paris under siege since last Thursday has become an impromptu attraction for the French capital's annual swarm of foreign tourists.

Situated a convenient five minute walk from the Eiffel Tower on the road to the Trocadero and near the big statue of George Washington donated to France by the Daughters of the American Revolution, the Iranian embassy is proving an irresistible curiosity for many summer visitors. Even the rain yesterday did not stop a few enterprising souls from stopping for a few moments near the barricades blocking part of the Avenue de Iena where the embassy is located.

As France and Iran confirmed yesterday that they were negotiating the eventual evacuation of their respective embassies in Paris and Tehran and the repatriation of their embassy staffs, there seemed little happening outside the heavily guarded Iranian embassy here yesterday. "I don't think much is likely to happen today. Try coming back in a couple of days time." suggested a friendly gendarme.

Since last Thursday, the French authorities have stepped up security around the embassy, with gendarmes and riot police on rooftops around the building. Spotlights trained on the building every night and even the sewers are under guard.

Although there appeared to be a slight slackening in the tension between Paris and Tehran yesterday, the French Government has continued to maintain a firm line on Mr Wahid Gordji, the Iranian interpreter who has taken refuge in the embassy and is wanted for questioning in connection with last September's terrorist bombs in Paris. The French authorities also believe Mr Gordji has been acting as the effective second in command in the embassy.

Before leaving for New York yesterday to attend the UN Security Council meeting on the Iran-Iraq war, Mr Jean-Bernard Raimond, the French Foreign Minister, said in a television interview that Mr Gordji's appearance before the judge investigating last September's bombings was "not negotiable" intimated by Iran. and that France would not

But both countries yesterday appeared to be adopting a more moderate tone over their serious rift without, however, budging on their respective demands. The French authorities are now hoping to complete the negotiations on the evacuation of the respective embassy staffs by tomorrow. But the negotiations are expected to drag on beyond Wednesday. Indeed, officials in Paris confirmed yesterday that the current negotiations were very complex and technical.

The biggest problem remains the French demand that Mr Gordji answer questions from the French judiciary before being allowed to leave the country, and the counter demand by the Iranians that Mr Paul Torri, first secretary in the besieged French embassy in Tehran, appear before an Iranian prosecutor.

French officials expect that the complex and tense situation will only become more clear in coming days. Meanwhile, many French expatriate workers and their families have left Iran. The Alsthom engineering group confirmed yesterday that all its staff and families were now back in France for the summer holidays. Alsthom, controlled by the Compagnie Generale d'Electricite group, is among the French industrial concerns still present in Iran where it is repairing the Tabriz power station damaged by Iraqi bombs.

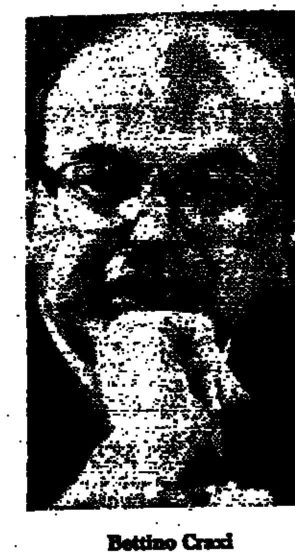
Meanwhile, the reporters and the tourists braving the Paris summer showers have been watching, with much frustration so far, for the slightest movement behind the embassy's windows.

Goria seeks to secure backing for programme

BY OUR FOREIGN STAFF

MR GIOVANNI Goria, Italy's Prime Minister-designate, yesterday began a difficult round of consultations designed to secure agreement on the programme his new Government is to follow.

Despite warnings from some members of the Socialist Party of Mr Bettino Craxi, the former Prime Minister, that they were not happy with Mr Goria's proposals, the 43-year-old Christian Democrat is expected to succeed in his bid to form a new Italian Government by the end of this week.



Bettino Craxi

Mr Goria, who was asked by President Francesco Cossiga to form what would be Italy's 47th post-war government, has put forward a draft programme including measures designed to cut the country's runaway public sector deficit, the holding of referendums on nuclear power and judicial reform, and institutional reforms.

In the first days after his appointment Mr Goria had appeared likely to succeed. There was general optimism about his chances and support in principle from all five parties in the previous Craxi-led Government.

However, at the weekend the Socialists and other potential partners raised serious doubts about his draft economic programme.

"At first glance there seem to be a certain number of difficulties," said top Craxi aide Mr Giuliano Amato.

The Socialist paper Avanti said the Government programme still remained to be drawn up.

Mr Goria's programme was also strongly attacked by left-wing labour leaders although it was welcomed by employers' groups.

Political sources said the Socialists, the main beneficiaries of the election, would make heavy policy demands as the price for supporting Mr Goria. Without them, his efforts will fail.

The Socialists, who consolidated their hold on the balance of power in the poll, are eager to paint themselves as the party of reform and are wary of being outflanked to the left. They are therefore likely to clash with Mr Goria's conservatism.

The small Republican Party, another likely coalition member, said Mr Goria's plans were not stringent enough and described them as "inadequate."

These problems have dampened the initial enthusiasm but commentators predict that Mr Goria will overcome the obstacles.

He will be helped by the lack of any apparent alternative which would mask the De Mita-Craxi dispute and by the approach of August.

This is a powerful factor in political crises in Italy because it is the time when most people, including the politicians, want to leave the cities and escape to the beaches or the mountains during the hottest summer month.

The ghost of 48 years of dictatorship has finally been laid, writes **Diana Smith**

Portugal recovers from its long hangover

PORTUGAL'S period of adjustment to the end of 48 years of right-wing dictatorship is over.

Last Sunday the critical mass of Portuguese politics shifted away from 13 years of shaky coalitions or minority governments—which obliged the population to put up with seven general elections, three presidential polls and four municipal elections—and towards stable majority rule.

The feat was achieved by a lean, tense economist-turned-politician, Professor Anibal Cavaco Silva. In the most remarkable turnabout under democratic circumstances in Portugal's contemporary history, he led his Social Democrat party (PSD) from a standing of 24 per cent of the vote in 1983 to 30 per cent and minority government in 1985, and on to sweeping victory with over 50 per cent of the popular vote last Sunday. This translated into 145 of Parliament's 250 seats.

The result was a triumph for Professor Cavaco Silva's compulsion to make the Portuguese people believe that, with his party in stable government, development and progress could come faster and more effectively. His campaign, which obliged his PSD colleagues to stay discreetly in the shadows and allow him to monopolise the stage, had a simple message which apparently persuaded more than 2m Portuguese that he was on the right track. It harped on a theme that, basically, was this: "We have already proved in the past 18 months, despite fierce opposition, that we are a competent team, able to bring you better living standards. Give us a majority and let us show you what we really can do in a stable environment."

No one suspected Prof Cavaco Silva of possessing charisma when he emerged from the background two years ago to take over a then querulously divided PSD. He was shy, wooden-faced, with stiff, awkward gestures, a strong head for figures and, until then, no signs of having a grain of political perspicacity.

But it did not take long for the charisma to start operating. His government made gaffes but the public forgave them. His popularity soared until, last year, 56 per cent of those interviewed in a large opinion poll said they thought he was doing a good job—that is, 26 per cent more than the number who had voted for him.

Mistakes or not, the PSD and Prof Cavaco Silva became synonymous with efficiency. They had quite a lot of help from two key factors: EC membership which brought funds, stimulus, positive response to competition and sense of belonging to a larger, more challenging world; and the conciliatory, discreet Presidency of Mr Mario Soares, the former Socialist leader who had become an indefatigable defender of stability.

As Mr Soares's prestige grew in the presidential palace, Prof Cavaco Silva's prestige grew in Sao Bento palace — the soft man and the hard man working comfortably in harmony.

Prof Cavaco Silva's supporters celebrate his win

Portuguese voters seemed to like the balanced mixture — more than they liked the idea of a Socialist Prime Minister in tandem with a once-Socialist President, and more than they would have liked the idea of a tough, occasionally-autocratic centre-right Prime Minister working in tandem with a Conservative President.

Essentially, Prof Cavaco Silva wants to do the following:

- Trim the excess fat from the public sector, through privatisation in a few instances (after due study of the chances of successful privatisation), closure of totally unworkable units in publicly-owned industries which was attempted during his minority government but blocked by the opposition in the case of the National Petrochemical Corporation, and far tougher accounting principles for the nationalised industries, utilities and banks, holding management publicly responsible for losses or slack performance.
- Accelerate the flow of free market forces in the financial system — but with due caution because of the size and chronic inflationary pressure of the accumulated state debt and annual budget deficit. Banks are subject to bi-monthly credit ceilings and likely to remain so for the next year or so until the shakeup of the public sector begins and its effects can be felt in the shape of softer demand on credit and easier pressure on money supply.
- Make labour laws more flexible in conjunction with better retirement and unemployment pensions, so as to reduce the chronic, erosive overmanning of Portugal's public and private industries.
- Revitalise agriculture — Europe's most backward and least-productive — and help Portugal withstand the full brunt of EC competition after the end of the 10-year transition most Portuguese agricultural products enjoy.
- Rationalise chaotic educational and health service structures.
- Simplify a complex and onerous tax system.

Prof Cavaco Silva's main test will be his ability to juggle the growth of market forces to which he is verbally committed with the creaking, sluggishly bureaucratised structures of Portuguese society, without allowing a return to the sort of speculative, wildcat practices in which businesses engaged during the old 1928-1974 regime, or without letting the bureaucrats obstruct much-needed industrial and administrative reforms.

While the Prime Minister prepares for majority rule, constitutional reform aimed at shrinking the debilitating weight of a loss-making public sector and liberalisation of the financial system to conform with EC rules, the left, which held either power or the balance of power in Portugal for so long since the election in 1975, the first after the Revolution, is facing up to a new set of facts.

- The PSD took more votes than the sum of the Socialists, Communists and minor parties of the left. The Socialists settled at about 22 per cent of the vote — not a shattering defeat but a long distance for the party to climb before it reaches its goal of becoming the alternative in future elections to the PSD.
- The maverick PRD of Gen Antonio Ramalho Eanes, the ex-President who wanted to be Portugal's De Gaulle, which took 18 per cent of the vote in 1985, was almost wiped out. It plummeted to below 5 per cent of the popular vote, punished by voters for not knowing where it stood politically and for provoking the censure motion that toppled the PSD in April.
- The Communists shrank and further lost their ability to resist constitutional and labour change.

In short, Portugal shed some of its complexes, including the post-1975 "complex of the left," and opted for a real challenge to a charismatic leader to show the people whether he really has the will to restructure the country.

Gorbachev meets Afghan chief

THE Soviet leader, Mr Mikhail Gorbachev, and Dr Najib of Afghanistan met yesterday for what diplomats said was likely to have been a review of the upsurge in fighting in the country and political ways to settle the conflict, Reuter reports from Moscow.

The official news agency Tass said the two leaders met in the Kremlin but gave no further details. Dr Najib arrived on Sunday on a previously unannounced visit, his first to Moscow since last December.

Diplomats in Moscow said they expected they would have explored ways to combat recent successes by Moslem rebels which have been fighting the Soviet-backed Communist Afghan Government for more than seven years.

They were also expected to have reviewed indirect peace talks in Geneva between Afghanistan and Pakistan which have failed so far to set a timetable for the withdrawal of Soviet troops.

The Afghan leader has launched a policy of "national reconciliation" which he presents as an effort to end the war by uniting the Communist party, some clergymen and other forces around an agreed set of policies. He has said he is ready for contacts with supporters of the exiled former King Mohammad Zahir Shah to promote a settlement. The king's aides in Rome said he would not share power with Dr Najib.

Dr Najib, a former security police chief who replaced Babrak Karmal as Afghan leader in May 1986, declared a unilateral ceasefire against the rebels last January which he extended last week until next January.

Abdul Rahim Wardak, a rebel leader and former Afghan army general, said at the weekend that his forces had won a crushing victory near Kabul earlier this month. A US official said this month that co-ordinated guerrilla units had for the first time driven a large Soviet force including elite troops into retreat.

Greek doctors strike

About 30,000 Greek doctors began a five-day strike yesterday over tax and social security terms. Their action would affect most of the country's hospitals, the doctors' association told Reuter in Athens. It said that during the strike hospitals would be staffed by emergency personnel and that operations and check-ups would be postponed.

French Awacs move

France has begun talks on buying a fourth Airborne Warning and Control System (Awacs) aircraft from Boeing, according to the Ministry of Defence, Reuter reports from Paris. France agreed in February to buy three Awacs, following a British decision to buy them. It also took options on two further aircraft.

Syrian off to space

Procedures are under way for the launch of a joint Soviet-Syrian space mission, AP reports from Moscow. Moscow Radio said the Soyuz TM-3 spacecraft carrying Syria's first cosmonaut would blast off from the Baikonur complex in Kazakhstan tomorrow. It will orbit for two days and then dock for six days with the orbiting complex Mir.

Brussels tells Ireland to open up cement industry

BY WILLIAM DAWKINS IN BRUSSELS

THE IRISH Government must open up its national cement industry to EC-wide competition by the end of this week or face court action, the European Commission warned yesterday.

The move is the Commission's second legal attack since the start of the year on public procurement policy in the Irish construction industry. It follows an — as yet uncompleted — court case against public authorities in the town of Dundalk for reserving a water supply contract for local companies, rather than opening it up to tenders from other member states.

Yesterday's warning took the form of a so-called reasoned opinion, pointing out that the Irish practice of allegedly refusing to give licences to overseas suppliers to sell cement to public authorities contravened EC competition rules.

"Given the importance of the public works sector for cement, the economic impact of these Irish measures is considerable," Commission officials said yesterday. According to the Irish Construction Industry Federation, the national cement market is worth I£55m (£49.5m), while government contracts account for up to 70 per cent of the construction activity, well above the EC average. Federation officials argue that the high government involvement in their industry is a necessary consequence of a lack of attractiveness to private investors of the Irish property market.

The ultimatum to Dublin was delivered officially to the Government last month, but EC legal officials took until yesterday to finalise the wording. If Ireland does not fall into line by July 25, or give some sign that it will do so, the Commission could then take action against it in the European Court of Justice.

Conditions ease in Italian flood area

By Alan Friedman in Milan

SOME 3,000 troops and numerous helicopters were continuing efforts yesterday to evacuate thousands of people from northern Italian villages hit over the weekend by floods and landslides caused by torrential rains.

The rescue work was made easier as the rains ended yesterday morning, but one helicopter crashed and its crew of three was injured.

The total death toll yesterday was put at 14, with a further 16 people missing and dozens hurt. Dozens of villages and towns were isolated, and hundreds of people were forced to take refuge on their rooftops when roads and railway lines in northern Lombardy were inundated.

Damage in the worst hit area to the east of Lake Como and about 40 miles south of St Moritz has been estimated at up to £500m. In Tartano, a village close to the Swiss border, a mudslide sliced through a hotel, killing seven people.

Warnings were issued yesterday about a threat to public health. Most water in the area was deemed unsafe for drinking unless boiled.

Financial aid plan for Swedish companies

BY SARA WEBB IN STOCKHOLM

THE Swedish Government wants to encourage small and medium-sized businesses by offering more financial assistance and to place more resources in research and development in order to strengthen industry over the next few years, Mr Thage Peterson, the Industry Minister, said yesterday.

He outlined proposals yesterday which are due to be discussed at the Social Democratic Party's congress in September.

Last year, more than 25,000 new companies started up in important areas for Sweden, such as information technology, though many of these faced problems in securing start-up loans from the banks because they could not offer adequate guarantees, he said. Mr Peterson proposes to increase assistance from the regional development and government funds to help such companies in future while creating a more favourable tax climate for smaller businesses.

The Government wanted to place more emphasis on technology research and development, he said, and Swedish industry needed to improve its infrastructure, for example in communications and education. He called on private industry to use its increased profits from last year to help create jobs and broaden the structure of industry and indicated that companies should try to expand in the private services sector.

Mr Peterson said that "one or two more state-controlled companies" may eventually be privatised partially. State-controlled companies represent a small proportion of Swedish industry at between 8-10 per cent, and Mr Peterson said that the Government planned to improve the efficiency and competitiveness of these companies.

The Government has embarked on a limited partial privatisation of state concerns including PKbanken and Procordia (the state holding company). SSAB, the commercial steel company is due to be launched on the stock market within the next few years.

- Sweden's balance of trade showed a surplus of SKr 2.4bn (£231m) in June, down SKr 3.7bn on the previous year due partly to lower ship exports.

The value of exports fell by 2 per cent to SKr 23.8bn in June, while the value of imports rose by 12 per cent to SKr 21.4bn. Over the six months January to June, the value of exports was 3 per cent higher than in the previous year at SKr 138.9bn, while the value of imports was 8 per cent higher at SKr 123.6bn. The balance of trade showed a drop of SKr 4.7bn to SKr 15.3bn in the first six months.

Crane operators strike disrupts two ports

BY OUR STOCKHOLM STAFF

WORK AT the Swedish ports of Gothenburg and Oskarshamn was seriously disrupted yesterday when about 100 crane operators came out on strike in sympathy with a handful of their colleagues who are at the heart of an internecine war in the blue-collar union movement.

The authorities at Gothenburg, which handles 25 per cent of exports and is Sweden's largest port, estimate that the strike action will cost about SKr 1.5m (£144,000) a day in lost revenue as foreign vessels and Swedish exporters turn to other ports. The port is still operating roll-on/roll-off and some lift-on/lift-off facilities.

The crane operators are members of the Municipal Workers' Union and are striking in sympathy with 11 crane operators at Koping who were told that in future they would come under the auspices of the Transport Workers' Union

The row between the two blue-collar unions has proved embarrassing for LO, the trade union confederation, whose leader, Mr Stig Malm, yesterday said the strike action was "deplorable" and urged the Municipal Workers' Union to "live up to its responsible role as Sweden's largest trade union" and acecpt the change.

Spain on course for 5% inflation rate this year

BY TOM BURNS IN MADRID

A ZERO inflation rate last month has brought Spain's price consumer index over the past 12 months down to 4.9 per cent, breaking a psychological barrier and placing the Government well on the path of meeting a 5 per cent target for1987.

According to estimates by Economy Ministry officials the inflation differential between Spain and the average of other OECD countries has now narrowed from six points in December to two points at the end of the first six months of this year. Annual inflation has been in excess of 5 per cent since the 1960s and it only came down to single digits two years ago.

The overall performance of Spain's inflation this year owes a great deal to the extremely moderate rise in food prices which have performed erratically in the past and which represent a large component of the Spanish consumer shopping basket. Food prices rose by only 4.2 per cent from January to June in the wake of generally good harvests.

Officials are now planning a 1988 inflation target of 3 per cent. At the weekend Prime Minister Felipe Gonzales, who is currently engaged in negotiating a three-year wages "social" pact with employers and unions, said that his Government's economic policy would continue to be "belligerent" with inflation and with the budget deficit.

Horizons are limited for East German summer holidaymakers

BY LESLIE COLITT IN BERLIN

MORE THAN 3m East Germans will frolic this summer by the Baltic Sea, the Communist state's most popular summer playground.

The Baltic coast is to East Germans what the Italian Adriatic is to the West Germans. In the depths of winter, East Germans learn who will be lucky enough to spend the summer holiday at a trade union home on the Baltic. The charge for a couple of week's stay is only 28 per cent of the actual cost, while children pay a flat Marks 30 (£10).

For the less fortunate there might just be a site on which to pitch a tent in an overcrowded camping ground not too many kilometres from the sea. At night the tents overflow with illegal sub-tenants who add to the problem of erratic food supplies. It goes almost without saying that boats and inflatable rubber mattresses are prohibited beyond a prescribed distance from the coast. The Danish islands of Lolland and Falster lie only a short distance away and East German naval vessels cn be seen on the horizon patrolling the sea for would-be escapees.

East Germans who go in for nudism — and there are many — have several stretches of beach reserved for them. The sight of several dozen nudists queueing to buy milk and bread on a chilly Saturday morning at a makeshift shop by the sea is unforgettable.

Citizens of East Germany are as eager to travel abroad as West Germans and have a minimum three weeks and three days paid holiday in which to do so. Unlike their Western cousins, however, East Germans are not coveted in Eastern Europe for their currency.

Czechoslovakia, the only country they can go to without a visa, is mainly visited during the day. East Germans cannot purchase enough Czechoslovak koruna to stay overnight in even the simplest hotel. Poland has been off limits since 1980, and Hungary, the most popular foreign destination, has become prohibitively expensive for most East Germans. Those fortunate enough to spend their holiday at Lake Balaton do so in tents and often bring their food with them. Others exchange flats with Hungarian acquaintances and bring East German products to trade for Hungarian forints.

This month, a special travel offer appeared in East German newspapers. An additional number of trips was made available to Romania—at a hefty price. With tourists from the West staying away in droves, economically hard-pressed Romania has decided to let East Germans have a crack at its resorts. A 15-day tour of the country was advertised in Neues Deutschland at Marks 2,000 or, almost three times the price of a similar Romanian holiday for Westerners.

But there are other ways to visit the Balkans. An East German acquaintance of mine takes off for a remote mountainous area of Romania each summer where he hikes from one cottage to the next enjoying the overwhelming hospitality at no cost whatsoever. But, for most East Germans, travelling in Eastern Europe is a bitter lesson in how little their currency is worth outside the country. The West German D-Mark invariably purchases three to four times the amount fof forints or Bulgarian leva as the Mark.

Probably the most sought after holiday for an East German is a cruise on the MS Arkona, a ship which used to sail as the Astor under the West German flag. Only "outstanding" East German workers are given a chance to book passage on this cruise vessel which is run by the trade unions and which offers top flight cuisine and excellent service. The ship is chartered to a West German operator for several months a year.

My landlady during the Leipzig Fair once took the ultimate cruise for an East German — to Cuba on an East German ship. But, apart from rum, she said there was nothing to buy once she got there. Another East German, whom I did not know personally, was so taken in by a commercial on West German television for travel to the US that he made a successful escape across the Wall to West Berlin. The first thing he did in the West was to borrow some money to make a down payment on a one-week package tour to New York City.

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Kuwait hands tanker responsibility to US

BY ANDREW WHITLEY IN KUWAIT

KUWAIT has handed over to the US entire responsibility for determining how to respond to any Iranian attack on the "reflagged" Kuwaiti oil tankers which are due to begin entering the Gulf tomorrow under US naval escort.

Sheikh Saad al-Abdullah, the Kuwait Prime Minister and Crown Prince, said yesterday: "These are now American vessels carrying the American flag. So I'm sure the US will defend the flag."

Sheikh Saad said that while his country could offer the US Navy "certain facilities," there was no question of making air or naval bases available to the protecting force.

A 15-strong fleet of warships headed by the US aircraft carrier Constellation has been assembled off the Straits of Hormuz, at the mouth of the Gulf, in anticipation of possible trouble from Iran when the first super tanker — renamed the Bridgeton — begins its two-and-a-half-day journey from the Gulf of Oman to Kuwait.

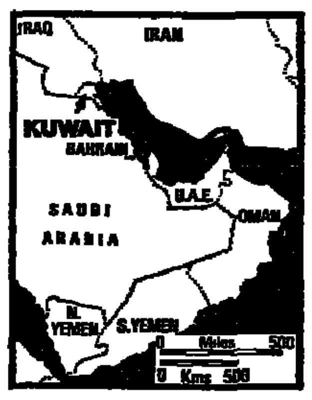
An extensive minesweeping operation, involving US, Kuwaiti and Saudi military personnel, was completed at the weekend outside Kuwait's main oil terminal of Mina al-Ahmadi.

As US Navy divers detonated the 200 lb mines located in the port's entrance channels, it was revealed that Saudi minesweepers are to maintain a constant watch on the cleared waterways over the coming months.

Britain has joined the Soviet Union in allowing three British-registered oil tankers to be chartered, Sheikh Saad said yesterday. Kuwait was in touch with the British authorities to see about either leasing a further number or permitting the re-registration of Kuwaiti tankers in Britain.

Meanwhile, the Kuwaiti Government is attempting to explain its decision to embroil the major powers in the so-called "tanker war" between Iran and Iraq, by leasing foreign vessels or reflagging Kuwaiti tankers. Messages have been sent to the permanent members of the Security Council and emissaries despatched to dozens of Third World countries. The Crown Prince yesterday took the unprecedented step of speaking for nearly three hours to some 200 foreign journalists.

"This is a purely commercial transaction to ensure the continued flow of Kuwaiti oil to its natural markets and to meet our contractual commitments," he said. Kuwait has been attacked by Iran and other countries for allegedly escalating the conflict in the Gulf through these measures,



and is very much on the defensive.

Although Sheikh Saad insisted that support and understanding had been expressed by all the countries Kuwait had contacted, misgivings have been expressed by some Gulf countries.

Fiji chiefs in debate on constitution

By Our Foreign Staff

FIJI'S INFLUENTIAL Council of Chiefs began a critical meeting yesterday on the country's constitutional future and, in particular, proposals to declare the country a republic.

The meeting, held in the capital Suva and scheduled to last for two days, is the first since the Council accepted the re-assertion of executive authority by Ratu Sir Penaia Ganilau, the Governor General, in the wake of the May 14 coup on behalf of pro-Fijian interests, which ousted the coalition multi-racial government.

The chiefs gathered as reports came through of an explosion outside a hotel in Nadi, on the other side of the main island. No one was hurt, and damage was minor. The blast was attributed to a home-made bomb.

Dr Timoci Bavadra, the coalition's Fijian head and former Prime Minister, was allowed to address yesterday's Council meeting. The Governor General was also heard. Both are likely to have counselled against a move to a republic.

The Governor General will eventually receive proposals for constitutional changes from his own specially-appointed committee. His plan at present is for an appointed parliament to amend the constitution and then for fresh elections to a new body.

Australian coal talks announcement fails to end strike threat

BY CHRIS SHERWELL IN SYDNEY

AUSTRALIA'S coal industry was in suspense last night as miners continued threatening a national strike despite a decision by Mr Bob Hawke, the Prime Minister, to hold national talks on the country's coal crisis.

The announcement of next week's conference, to be attended by unions, employers and representatives from federal and state governments, coincides with mass redundancies and mine closures forced by weak prices and tight markets internationally.

Australia is the world's largest coal exporter, but under present conditions many of its higher-cost mines are no longer competitive.

Mining companies want an end to overmanning, restrictive practices and bonus payments schemes.

The unions, resisting the changes, have urged the Government to establish a national coal authority, apparently to stop the companies undercutting each other in their marketing abroad and to strengthen the country's position in world markets.

The industry is resisting this, but the unions have won support for the idea from the state government in New South Wales, where many of the costliest mines are located.

Altogether it is estimated that some 21 mines and 3,000 jobs are currently at risk.

In a fresh development yesterday, workers at 11 collieries owned by the Coal and Allied Industries group, who had already refused to work overtime, walked out, apparently in sympathy with 229 miners declared redundant last Friday.

Those redundancies, at the Leamington mine jointly owned by CSR and Exxon, followed another 136 announced a week earlier at BHP's Saxonvale mine.

Mr Hawke and Mr Barrie Unsworth, the New South Wales premier, yesterday urged the miners not to strike, as did Sir Joh Bejelke-Petersen, the Queensland premier, who said every action possible would be taken to break a strike.

Industry representatives warned that a strike would simply hasten the job losses and closures. Although the unions welcomed Mr Hawke's announcement, they are ready to go ahead with such action if Joint Coal Board talks scheduled for today break down.

Andrew Gowers on the Security Council's hopes of influencing Iran and Iraq

UN shrugs off legacy of failure on Gulf war

THE United Nations Security Council debate yesterday on the Iran-Iraq war was the strongest possible demonstration of widespread international concern at the continuation of a conflict which has lasted nearly seven years and claimed possibly more than a million lives.

It is extremely rare that such an array of foreign ministers should gather for a special session of the Security Council; rare still that they should display total unanimity on such a difficult issue. The motion being considered last night in New York was also remarkable in that it is the UN's first mandatory pronouncement on the Gulf war, after years of tortuous discussions and seven non-binding resolutions. But, in a way, it was still hard not to wonder why they were bothering. None of the UN's previous ceasefire resolutions has had the remotest effect on the conflict; nor have the efforts of the widest range of prestigious would-be mediators from the Islamic Conference Organisation to the Non-Aligned Movement and from Algeria to Japan.

Furthermore, both Iran and Iraq have already signalled in advance that they will not heed the resolution. President Saddam Hussein of Iraq said last week that he would not accept anything short of a "comprehensive" settlement of the conflict, which hardly augurs well for the UN's immediate and more limited goal of a ceasefire.

There was, however, some hope yesterday that Iraq might agree to halt its attacks on tankers in the Gulf.

For its part, Iran has repeatedly made clear in the last few days that it regards the Security Council as anything but an impartial interlocutor in the war. Mr Ali Akbar Velayati, the Foreign Minister, said in Tehran on Saturady that Iran unequivocally rejected the resolution, which would "cripple" mediation efforts by Mr Javier Perez de Cuellar, the UN Secretary General, between Tehran and Baghdad.

President Ali Khamanei said the motion would "hold no value before public opinion or us if it fails to take a neutral stance in the conflict."

Iran's demands for ending the conflict apparently remain as sweeping as ever: the ousting of President Saddam Hussein of Iraq; punishment of Iraq for starting the conflict by invading Iran in September 1980; and the payment of massive war reparations.

The task of the Security Council in persuading the Iranian leadership to listen to the Council's resolution can only have been complicated in the last few weeks by the bitter rows which have blown up between Iran, Britain and France, two of its permanent members.

The Iranians have made clear that they regard these incidents as directly related to the moves in the Security Council and US plans to step up its naval presence in the Gulf with the aim of protecting Kuwaiti oil tankers from Iranian attack. It all adds up, in the Iranian rhetoric, to a new manifestation of the old international conspiracy against Iran's Islamic revolution.

So what has induced the Security Council to go to so much trouble over the latest resolution and how do its members think they can succeed in influencing the conflict now when they have failed before?

The answer to the first question lies to some extent in American politics, and the evolution of the Reagan Administration's policy on the Gulf war. There is no doubt that yesterday's Security Council resolution is in large part a creation of US diplomacy. Washington has felt the need to redefine its policy because of the immense damage done to its credibility in the Middle East by the controversial arms sales to Iran.

The White House has also been forced to push hard on the diplomatic front by criticisms in Congress and among US allies that it was laying excessive emphasis on a military response following the Iraqi missile attack on the US frigate Stark in May, in which 37 American sailors lost their lives.

Yet there is clearly more to it than that. One of the more remarkable aspects of the resolution is the degree of co-operation between the US and the Soviet Union—and, for that matter, China—which lies behind it.

The attack on the Stark — coinciding as it did with an Iranian attack on a Soviet merchant vessel — clearly brought home the dangers of the Gulf war to a cross-section of the international community which had hitherto tended simply to hope it would go away. Gen Vernon Walters, Washington's UN envoy, has been jetting around the globe to underline this message, and the high-level attendance at yesterday's meeting is one obvious result.

Another important difference on this occasion is that, for the first time, there is plausible talk of backing the Security Council resolution with "further steps to ensure compliance." This essentially means a possible arms embargo on Iran or Iraq if they refuse to contemplate a negotiated settlement to the conflict. The US will be pressing hard in the next few weeks for a second resolution along these lines — principally aimed at Iran, since that is the party which has consistently refused negotiations.

On the other hand, the drafters of the resolution clearly went out of their way to introduce elements which might be attractive to Iran—such as the setting up of an impartial body to investigate who was responsible for the Gulf war, and international assistance for any reconstruction ... efforts which might be needed after the conflict is over.

Nevertheless, there should be no illusions about what can be achieved. The US and the Soviet Union remain deeply suspicious of each other's motives. It is not yet completely clear that sufficient support can be mustered for an arms embargo, especially in view of the fact that China, one of the five permanent Security Council members, is believed to be one of Iran's major arms suppliers. Nor is it at all certain that such an embargo would be terribly effective, since Iran has shown itself to be quite capable of obtaining weapons from a wide variety of suppliers.

But at least it cannot be said any more tat the international community is burying its head in the sand about the war. And there was at least a chance that yesterday's resolution could persuade Iraq to curb its attacks on Gulf shipping, which Iran has consistently pledged would prompt it to do the same. If there were to be a truce in the shipping war, even a temporary one, the danger that the Iran-Iraq conflict could become a wider conflagration would be considerably eased.

MIDEAST TALKS URGED

EGYPTIAN Foreign Minister Ahmed Esmat Abdel-Maguid, the country's most senior official to visit Israel for six years, said yesterday in Jerusalem there was a "unique opportunity" to convene an international Middle East peace conference this year. However, he seemed certain to be rebuffed by Prime Minister Yitzhak Shamir.

His arrival was overshadowed by efforts of Mr Shamir's right-wing Likud bloc to begin a new Jewish settlement in the occupied West Bank, and a diplomatic incident which led to the cancellation of a planned meeting with Israeli parliamentarians.

Mr Abdel-Meguid said: "We are counting on the Israeli government and people to stand together and support us in our endeavour to resume this very year the process of conciliation and peace settlement."

His call for a peace conference under UN auspices appeared unlikely to break the stalemate on the question.

The fragility of Israeli-Egyptian relations was highlighted yesterday by the decision of the speaker of the Knesset Mr Shlomo Hillel, to bar the parliamentary foreign affairs committee from meeting the guest from Cairo.

He cancelled the session because Mr Abdel-Meguid would only meet the panel at a Jerusalem hotel to avoid recognising Jerusalem as Israel's official capital.

Tunis aims for 4% annual growth in GDP

By Francis Ghilès

INVESTMENT totalling 10.4bn Tunisian dinars (£7.51bn) will be made in the course of the next Tunisian five-year economic plan, which was presented to the national assembly in Tunis yesterday by Mr Ismail Khelil, Minister of Planning and Finance. The figure is little changed from the level of the past five years and thus amounts to a cut in real terms.

The main targets of the plan are to ensure that the country's gross domestic product grows by 4 per cent every year and that 240,000 jobs are created outside the farming sector.

One-fifth of new investment will go to agriculture, a 4 per cent increase compared with the last plan. The aim is to trim the food deficit by more than three-quarters by 1991, to an annual average of 40m Tunisian dinars (£28.9m).

Congress-I support for Gandhi likely to dwindle

BY K. K. SHARMA IN NEW DELHI

A CHORUS of support yesterday greeted the Indian Prime Minister, Mr Rajiv Gandhi, for the expulsion of his chief rival, Mr V. Singh, the former Defence Minister, from the ruling Congress-I but this was apparently orchestrated and observers have noted that all senior cabinet ministers have maintained silence over the move.

Since at least three more Congress-I MPs have come out openly in favour of Mr Singh and other dissidents expelled from the party by Mr Gandhi, there were fears that the Prime Minister's support from the parliamentary party would dwindle.

This is unlikely to threaten Mr Gandhi's position as Prime Minister for the present since Congress-I has a comfortable four-fifths majority in the Lok Sabha, the lower house. It would need massive defections to endanger his position. Because of the anti-defection act passed two years ago, which stipulates that a member leaving the party on whose ticket he has been elected loses his seat in parliament, large-scale defections can be ruled out.

Nevertheless, there is growing disillusionment with Mr Gandhi's leadership in Congress-I and this could grow if more members are expelled by him without being given a chance to explain what are vaguely called "anti-party" activities.

Expectations are that Mr V. P. Singh will become the rallying point not only of those expelled from Congress-I but also the large section in the parliamentary party that is opposed to Mr Gandhi because of his arrogance and shielding of close friends accused of economic offences.

AMERICAN NEWS

Admiral defends silence on arms deal

By Stewart Fleming, US Editor, in Washington

John Poindexter as unapologetic pipeman and star witness

REAR ADMIRAL John Poindexter, in his fourth day of testimony before the Congressional committees investigating the Iran-Contra affair, angrily defended his management of the covert operations yesterday, saying, "I don't have any regrets and I am not going to apologise."

Faced with charges from Republican and Democratic members of the committee that, as Mr Tom Foley, the Democratic majority leader in the House put it, that the operations had been "bungled," Adm Poindexter defended his decision not to tell even top Congressional leaders about the arms-for-hostages deal with Iran, or the diversion of the profits to support the Contra rebels in Nicaragua.

Commenting on the admissions by the admiral, and Lt Col Oliver North, that they had misled Congress, Mr Richard Cheney, now a Congressman and White House chief of staff during President Gerald Ford's administration, said: "The reason for not misleading the Congress is a very practical one. It's stupid."

Adm Poindexter bristled as *Senator Paul Trible*, another Republican drew from him the admission that he had not ensured that detailed financial accounts of the arms sales proceeds, and the private funding for the Contras, had been kept. Instead, he had relied on his "trust and confident in Col North and former General (Richard) Secord," the private businessman who helped to manage the undercover deals.

Although several senior administration officials, including Mr Edwin Meese, the Attorney-General, and Mr George Shultz, Secretary of State, *will be called to testify* in the next two weeks, it is already clear that, with Col North's testimony over and Adm Poindexter likely to finish testifying tomorrow, the wind has gone out of the inquiry.

Supporters of President Ronald Reagan are arguing that there is not much more to learn about the Iran-Contra arms deals. They assert: The major questions have been answered; the questioning is now (if it was not before) is being drawn out simply to pillory the administration; the sooner it is brought to an end the better and Congress can debate what action, if any, is needed to try to restore a better working relationship between Capitol Hill and the White House.

Even so, Mr Meese can expect to be thoroughly grilled. Many Republicans feel he bungled the administration's *initial response, when the affair* surfaced in public last November, while the president's critics would argue that he bungled an attempted cover-up.

Japan set to join SDI research

JAPAN and the US are expected to sign an agreement today for Japanese companies to take part in the US Strategic Defence Initiative, the anti-missile research programme, US nuclear missiles and warheads said yesterday, Reuter reports from Washington.

Japan would become the fifth country to join the effort to develop lasers and other weapons which could destroy nuclear missiles and warheads in flight.

Britain, West Germany, Italy and Israel have already signed agreements, by which companies there compete with US companies for research contracts.

Published reports have said the agreement will be signed in Washington by Mr Caspar Weinberger, US Defense Secretary, and Mr Nobuo Matsunaga, Japan's ambassador in Washington.

Ortega calls on Congress to stop Contra aid

PRESIDENT Daniel Ortega of Nicaragua called on US Congressmen yesterday to oppose President Ronald Reagan's proposal for increased aid to rebels fighting the Sandinista government, Reuter reports from Managua.

In a key-note address to commemorate the eighth anniversary of the Sandinista's seizure of power, he said Mr Reagan's policy risked embroiling the US in another Vietnam, in Central America.

"Congressmen must understand it is better to fight Reagan than to bear the costs of a US intervention," Mr Ortega told a crowd of 10,000 people in Matagalpa, a northern provincial capital.

Mr Ortega, who described the Contras as corrupt mercenaries, said the money would not buy them success. The US would resort to direct intervention in Central America to ensure the overthrow of the Sandinistas, he argued.

Yesterday was the eighth anniversary of the triumph of the Sandinista uprising that ended 40 years of dynastic rule by the US-supported Somora family.

El Salvador faces new wave of violence as industrial action spreads

Guerrillas take fight to capital

President José Napoléon Duarte (right) faces intensified violent opposition after the period of relative stability which followed his election in 1984.

WHILE WASHINGTON's eyes are focused on the Contra war in Nicaragua, neighbouring El Salvador, which receives more than $2m in US aid every day, is sliding rapidly into disarray, according to Western diplomats, Reuter reports from San Salvador.

"It's all turning very nasty," said one Western diplomat. It's probably the worst it's been for two or three years and for whatever reason it's happening, it adds up to the fact that the government and the American plan is in trouble."

Police have twice opened fire in the past nine days to break up demonstrations by striking workers.

Leftist guerrillas are displaying a new ability to create havoc in the capital after scoring military successes in the countryside.

The deaths of six US military personnel in a helicopter crash on Sunday served to remind an American public, preoccupied with the Iran Contra hearings and the Reagan Administration's campaign against Nicaragua's leftist Government, that drawing and holding the line against Communism in El Salvador can also be costly.

And, as always, ordinary Salvadorans are caught in the middle.

Hospital workers, including nurses and cleaners striking for higher pay, have been denounced by the Government as "terrorist sympathisers."

Other people trying to get to work have been forced off buses at gunpoint by urban guerrilla units, who have then shot up or burned the vehicles to enforce a transport ban.

El Salvador appeared to be moving slowly but surely towards stability after the election of US-backed President Jose Napoleon Duarte in 1984 after years of repression and war.

Life has become tougher, however, for many poor Salvadorans with almost 50 per cent unemployment, stagnant wages and rising prices. An earthquake last October, which killed 1,500 people and left 200,000 homeless, added to the misery.

The discontent has helped Farabundo Marti National Liberation Front (FMLN) guerrillas rebuild an urban support base which was almost wiped out by right-wing death squads in the early 1980's.

The National Union of Salvadorean Workers (UNTS) denies government charges that it is the political vanguard of the FMLN. It has, however, spearheaded a series of small but provocative anti-government protests whose demands match those of the guerrillas—the resignation of President Duarte; a negotiated solution to the war by including the left in a coalition government; and an end to US influence in El Salvador.

The US embassy has become a target for students and workers linked to the UNTS but security forces have taken no action against those who daubed its walls with graffiti, hurled flaming torches into the compound and hammered on its gates.

The military, citing captured rebel documents, said the demonstrators were looking for martyrs.

Last week, however, security forces opened fire to break up a brawl between striking hospital workers and other police, wounding at least 25 people.

On Wednesday, police shot from the upper storeys of a bank to break up a march by UNTS members, during which they had vandalised buses, lit bonfires in the streets and stoned a government building. Three people were wounded in the shooting.

Diplomats and human rights groups fear the unrest, which has been brewing for several months, is prompting another wave of repression.

Several human rights abuses by soldiers against civilians in the countryside have been reported and last month a notorious death squad resurfaced, giving warning to 14 student activists to leave the country or risk execution.

One embassy source said: "The problem is not President Duarte, the problem is the guerrillas. It takes a long time to build democracy and if you compare any day now to any day five years ago, it's better."

Brazilian minister reopens talks on debt today

BY OUR BRAZIL CORRESPONDENT

MR LUIZ Carlos Bresser Pereira, Brazilian Finance Minister, leaves for the US today to open informal talks on the country's $113m foreign debt, confident that he still has considerable leeway in the negotiations.

He will travel in the knowledge that the convention of the majority Democratic Movement Party (PMDB) at the weekend voted once again to oppose any formal Brazilian accord with the International Monetary Fund (IMF).

Also, the party's compromise text on economic policy has demanded that any end to Brazil's moratorium on interest payments on $68bn of bank debt, begun in February, must be conditional on a multi-year rescheduling of debt service and a ceiling on transfers to foreign creditors of 2.5 per cent of gross domestic product.

However, the public divisions within the PMDB on other issues, and the disenchantment of President José Sarney with party leaders, should give the minister some flexibility.

Leaks from the finance ministry suggest, even so, that Mr Bresser will attempt to adhere to the party's demand that Brazil's sovereignty over its economy is not compromised by IMF conditionality.

The Brazilians are expected to seek refinancing for all debt interest that falls due this year and 60 per cent of that for 1988. According to one authoritative report, the country will need about $8bn in "new money" to meet all its refinancing requirements.

OBITUARY

Great social historian of Brazil's development

BY OUR BRAZIL CORRESPONDENT

GILBERTO FREYRE—Brazil's best-known anthropologist, social historian and man of letters — died at the weekend aged 87.

Born in 1900 in Pernambuco, the most prominent state of razil's north-eastern region, Freyre was brought up in the literate and wealthy atmosphere of the home of his father, a law professor, in Recife, the state capital in its sugar-growing zone.

Freyre achieved international fame with the publication in 1933 of his masterpiece *Casa Grande e Senzala*, which is literally translated as Big House and Slave quarters but was published in English as The Masters and the Slaves.

This methodically researched social history of Brazil sought to scrutinise its character through its origins in colonial mansions and slave quarters where Portuguese and African cultures gradually found synthesis in a familiar, domestic, often authoritarian relationship of masters and slaves.

Later, Freyre's analysis, first regarded as radical, became the target of intense criticism from the Brazilian left. His opponents argued that he had not given sufficient attention to the savagery of the slave era, and had sentimentalised the relationship between master and servant.

Colombia's creditors agree loan

BY ALEXANDER NICOLL, EUROMARKETS EDITOR

COLOMBIA'S leading creditor banks have informally agreed to raise a $1.06bn new loan for the country, the only Latin American state, apart from Paraguay, not to have rescheduled its debt since the region's funding crisis broke in 1982.

The loan is to finance the electricity and coal sectors, as well as other public investment.

Although Colombia's case is far different from those of debtors with greater economic problems, the loan will be a further test of banks' willingness to lend to developing countries, after the recent round of provisions by large banks to cover losses on loans.

The loan will be for 10½ years including a 5½-year grace period, and will bear interest at ⅞ percentage points above London interbank offered rates —a higher margin than the 13/16 point spread on Mexican and Argentine loans this year.

The country's 10 main creditor banks—led by Chemical Bank, though there is no formal bank advisory committee—have agreed the terms and will finalise the precise conditions before putting a request to all other creditor banks, probably in September.

The loan is expected to be provided in tandem with various finance from multilateral and official export credit agencies, which could amount to about the same as the bank funding.

WORLD TRADE NEWS

Japan moves to block export violations

BY YOKO SHIBATA IN TOKYO

JAPANESE Government and Liberal Democratic party leaders yesterday agreed to draw up amendments to the Foreign Exchange and Foreign Trade Control law in order to prevent the recurrence of illegal exports of strategically important goods to the Communist bloc.

The aim is to submit the legislation to the extraordinary Diet (parliament) session as soon as possible.

Mr Hajime Tamura, International Trade and Industry Minister, who visited the US last week, reported that the public reaction in the US to Toshiba Machine's violation of regulations of the Co-ordinating Committee for Export to Communist Area (COCOM) was worse than he expected and that measures to prevent the recurrence of such incidents were necessary.

The government and LDP leaders approved in principle a four-point measure announced by Mr Tamura.

The ministry intends to increase the maximum penalty for violations of the Export Control Law from three to five years, boost the number of officials monitoring Japan's exports to the communist bloc from 40 to 80, the same level as in West Germany, take the initiative in trying to reinforce Cocom's powers, and promote co-operation with the US to enhance anti-submarine technology.

Mr Shinji Furukawa, vice-minister, Trade and Industry, reiterated that MITI intends to stiffen penalties for COCOM violation within the framework of the Foreign Exchange and Foreign Trade Control law.

Japan's Prime Minister, Mr Yashuhiro Nakasone, said he had no evidence of a direct link between Toshiba Machine's sales of numerically controlled machine tools to the Soviet Union and reduced propellor noise from Soviet submarines.

However, he indicated that the Japanese Government had no choice but to deal with the matter on the premise that a relationship existed between the two.

Toshiba apologises over Moscow exports incident

BY STEWART FLEMING IN WASHINGTON

TOSHIBA Corporation, the Japanese electronics company which has been under attack in Congress over the export by one of its subsidiaries of high-technology machine tools to the Soviet Union, yesterday published full-page advertisements in several major US newspapers apologising for the incident.

Toshiba, according to the advertisement published in the New York Times and the Wall Street Journal, "extends its deepest regrets to the American people." It added that the company shares the "shock and anger" of the American people.

It seeks to place the blame for the affair on "The conduct of one of our 50 subsidiaries." It says that the parent company itself had no knowledge of the action by the subsidiary, Toshiba Machine Company.

Both the Japanese government and the company, faced with threatened action in Congress which would block much of Toshiba's export business to the US, have launched major efforts to try to head off tough Congressional retaliation.

It is unclear, however, whether these efforts will succeed. Reportedly some American companies are discreetly rallying to Toshiba's side arguing that if Toshiba's exports to the US are banned, their companies would be damaged.

But the Reagan Administration is not perceived to be rushing to support the Japanese concern.

One reason for this may be that the White House is focusing more attention on defeating the elements of the trade bill which it believes to be objectionable.

Chrysler machinery for China car maker

CHINA'S largest car maker has agreed to buy machinery and technical help from Chrysler Corporation to produce up to 300,000 engines a year for light trucks and automobiles, Chrysler officials said agencies report.

First Automotive Works of Changchun will make a one-time payment for design and manufacturing technology and 48 "*major pieces of machinery*," and will pay a royalty on each four-cylinder engine produced, Mr Robert Lutz, a Chrysler executive vice president and board member, said. The formal agreement is to be signed in Peking today.

"This . . . constitutes one of the most significant transfers of automotive technology from the US to China since the beginning of China's open-door policy in 1979," Mr Lutz said.

First Automotive Works will build a new plant to manufacture the Chrysler engines and plans to begin producing them in 1989.

The Chinese company manufactures about 100,000 vehicles a year, almost all five-ton trucks. The Chrysler-designed engines will power new two- and three-ton trucks and some passenger cars which the company intends to produce.

First Automotive Works will receive complete technology for Chrysler's 2.2-litre and 2.5-litre overhead-cam four-cylinder engines, including future announcements.

Chrysler will assist in designing the new plant and train employees of the Chinese company both in China and Chrysler plants in Trenton, Michigan, and Saltillo, Mexico.

Chrysler will begin shipping the manufacturing equipment early next year, Mr John McCandless, a Chrysler spokesman, stated.

Mr Lutz said talks leading to the agreement began three years ago, but stressed that the agreement did not represent a joint venture with the Chinese company.

"It's just a straight financial transaction, we sell machinery and equipment, we provide technical assistance, and we get a royalty for every engine."

There were no discussions of further agreements, such as for the manufacture of cars or trucks, though "we would hope to explore future opportunities with First Automotive Works."

The UK Trade Department has built up a dossier of complaints, **Nancy Dunne** writes

Exporters hit out at pre-shipment checks

THE UK DEPARTMENT of Trade and Industry, under pressure from angry British exporters to take strong action, has accumulated "a sizeable dossier" of complaints about the operations of pre - shipment inspection companies.

But fear of retaliation by the countries using the agencies may prevent the UK government from adopting unilateral countermeasures.

A DTI official said the number of complaints has increased markedly since the end of last year when American exporters filed an unfair trade case with the US government and began to push for legislation to limit the scope of pre-shipment inspections.

As is the case with the US companies, the complaints mainly centre on price comparison checks performed by the agencies — comparing an exporters prices with those of similar products made by different companies. Some exporters say they are required to give confidential cost and price information.

The agencies, however, maintain that the price information they require is readily available and does not involve confidential details.

The DTI has been urged by exporters to recommend a bill to outlaw price comparison checks. However a Department official said there is a reluctance to recommend such "draconian" action, since it may result in the loss of trade with the 25 developing countries under contract with the inspection agencies.

Many UK exporters are reluctant to speak publicly because of the power held by the inspection agencies, which are given exclusive mandates to curb fraud and capital flight by checking out goods for quality, quantity and price. Unless the inspectors issue satisfactory reports, exporters will not be paid for their shipments.

'The number of complaints has increased markedly since the end of last year. They centre mainly on price comparison checks. Some exporters say they are required to give confidential information.'

A paper prepared for the ICC United Kingdom, the British Affiliate of the International Chamber of Commerce, contends that price comparison requirements have resulted in "a growing number of complaints from reputable exporters of allegedly unfair, inconsistent, over-zealous and payment-delaying treatment at the hands of the agencies.

"Exporters also object basically to any third party being able to interfere with commercial contracts concluded in good faith with their buyers, to the extent of disallowing final invoices on a price structure against which not only has import license been granted but, very likely, overseas exchange control permission given for the contract," the paper said.

Meanwhile, such price comparisons are not applied to exports from Eastern bloc countries, which have a competitive advantage because their prices are simply mandated by government entities.

One British exporter, who described endless frustration with one of the agencies, argued that price comparisons aimed at protecting buyers from overpricing was totally unnecessary. "The reality is that the countries concerned are extremely price and specification conscious; they know exactly what they want to buy and how much it costs on world markets."

He said that exporters repeatedly had to deal with inspectors who compare "apples with grapefruit" and "frankly do not know the first thing about the products they are supposed to be inspecting."

Final approval is not given by the inspection company he deals with until a bill of lading is presented, meaning the goods are on the way. The exporter is then placed in a position of having to agree to an arbitrary price reduction in order to be paid.

"We are completely at their mercy if they believe our price is too high," he said, adding that exporters are already operating on margins of 5 per cent or less in a very competitive environment."

He complained that no UK government body exists which demands the level of details about a company's activities.

"And yet HMG quite willingly permits a private concern acting as the agent of the Government of a foreign power, to demand confidential information on a British company's profit margins, establishment costs and pricing policies," he said.

The Geneva-based UN Conference on Trade and Development is expected to issue a recommendation against pre-shipment inspection by private companies in developing countries. The report may be sent on to the General Agreement for Tariffs and Trade for action.

The DTI has submitted the issue to the European Commission, which may take it to the new round of GATT talks.

Mr Giles Wybyrd, director of ICC UK, said waiting for Gatt action would result in years of costly delay. Meanwhile, the Chamber has established a task force to develop a code on pre-shipment inspections and hopes to obtain voluntary compliance from the agencies. It is planning an international symposium on the issue next March in Birmingham.

● Midland Bank has signed a £20m line of credit with Rafidain Bank, which will help to finance the supply of pharmaceuticals, medical equipment and veterinary products to buyers in Iraq.

Exporters will receive 100 per cent of the value of eligible contracts from the loan. To qualify for finance, contracts must have a minimum value of £50,000 and be signed by December 31 this year.

Midland provided Iraq with a £50m line for pharmaceuticals and medical equipment in March this year.

Mr Tom Robson, head of international trade and export finance, Midland Bank, commented: "The signing of this line of credit emphasises Midland's leading position in the Iraqi market."

C. Itoh in pact to boost Chinese crude oil output

BY YOKO SHIBATA IN TOKYO

C. ITOH, Japan's largest trading house, has signed an agreement with China aimed at boosting annual crude oil output at the Shengli Oil Field from 28m tons to 50m tons.

The agreement, with China National Petroleum Technology and Development Corporation, calls for Japanese banks to provide $1bn in yen to China. The corporation is a newly established organisation under the Ministry of Petroleum.

Seventy per cent of the money will be provided through the government-controlled Export and Import Bank of Japan and the remainder through the Nippon Life Insurance and the Bank of Tokyo. The money will be paid out over five years and repaid over 10 years in 20 instalments.

C. Itoh will purchase about 1m tons of crude oil a year from the Shengli Oil field, and oil products, to the value of $1.4bn over a 10-year period from 1992.

The company will also give technological advice on the sinking of wells in the oil field

Colina MacDougall adds: Shengli, in east China, is the country's second largest oilfield and produces more than a fifth of national output. Developed in the 1960s, increasing production has become difficult with China's outdated techniques. New equipment bought under the deal should help to solve the problem.

Senate nears trade bill vote

BY NANCY DUNNE

THE US Senate is heading today into its final lap on a controversial Trade Bill after diluting some provisions viewed with most disfavour by the White House.

With about 30 minor amendments still to be voted on, the Senate has dealt with most of the major controversies. Last week, in a key vote, it gave the White House an important victory by approving a measure which, in essence, allows the President to retain discretion in deciding if industries ought to be granted relief from imports.

Another key amendment would require the US Trade Representative to identify patterns of unfair trade in individual countries—Japan is the particular target—and ultimately to use threats of retaliation to gain market access for US exports.

The diplomatic community scored a significant win last week when the Senate voted overwhelmingly not to establish a system of disclosure requirements for foreign investors in US companies or real estate. The amendment would have required foreign investors to reveal the percentage of interest acquired and the market value of the assets of the US business enterprises.

A similar provision was passed in the House trade bill, but the strength of the opposition in the Senate is likely to defeat the measure when the conferees meet to reconcile their two very different bills later this month.

It is unlikely that conference work towards completion of the final legislation will progress much before Congress' summer adjournment next month. The conference will be broken down into subgroups dealing with the various titles, and the sessions to be continued in September, are expected to be long and arduous.

The President and his cabinet officials have often threatened to veto the final package when it finally emerges. However, the Congress has in the bill the vital legislation the Administration needs to conduct negotiations in the new round of the General Agreement for Tariffs and Trade.

Port strike ballot hinges on jobs pool

By Jimmy Burns, Labour Staff

MOST OF Britain's 13,500 dock workers will back a national strike if a pool of casual labour is created as a result of the planned closure of the Greenock container terminal in the West of Scotland, a union leader said yesterday.

The warning by Mr John Connolly, national docks secretary of the Transport and General Workers' Union, came amid signs that the Clyde Port Authority, responsible for the terminal, was finding it difficult to find jobs for 24 out of an original 66 dockers who had not applied for £35,000 in severance pay.

None of the 24 dockers have accepted a transfer to six jobs available at the Hunterston iron ore and steel terminal and the Ardrossan harbour at Clyde Port, both on the west coast of Scotland.

At the same time, the ports authority has apparently failed in its attempts to urge other employers to reach an early decision on offering additional jobs in the area.

A meeting between the Clyde Ports Authority and employers grouped in the West of Scotland Docks Labour Board, due last Tuesday, was adjourned to August 4.

The port authority, due to close the terminal on August 14, said yesterday it was "reasonably confident" of finding a solution at local level that would avoid a national strike.

Mr Connolly, however, said yesterday he felt the port authority did not know "where to go from here."

The union leader still sees Greenock as a test case for the 40-year-old National Dock Labour Scheme, under which no docker is sacked but offered alternative employment in the area.

Sharp upward swing in consumer spending

BY RALPH ATKINS

BRITAIN's retail sales rose sharply in June showing that the surge in consumer spending is continuing despite an unexpectedly large fall in the figures for May.

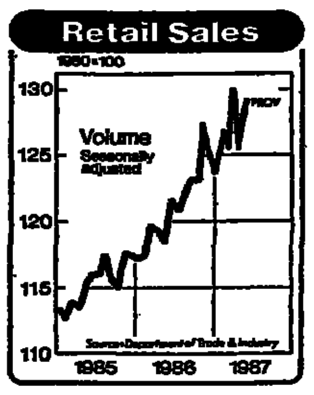
Provisional figures from the Department of Trade and Industry published yesterday show the index of retail sales volume rose 3.1 per cent compared with a fall of 3.5 per cent in May.

Sales were helped by rising real incomes, an increase in consumer credit and a drop in the mortgage rate. Tax cuts announced in the budget boosted trade at the end of May and continued to push up sales in June.

The index now stands at 129.3 (1980=100) compared with 125.4 in May and 130.0 in April.

In recent month sales figures have moved erratically and have frequently frustrated the expectations of retailers and City of London economists. However, the department said June's figures confirmed that the trend was firmly upwards.

In the three months to June, the level of sales was 6 per cent higher than the same period last year and 2.5 per cent higher than the first three months of this year. However, January sales were depressed by severe weather.



Sales are likely to grow further in the next few months as tax and mortgage rate cuts continue to put more money into shoppers' pockets. Shops will also be helped by earnings rising much faster than the rate of inflation and the expansion in consumer credit.

The sharp drop in sales recorded in May continues to puzzle economists, although it is explained partly by the seasonal adjustment made by the department failing to account for exceptionally bad weather and the late Easter.

Yesterday's figures should allay fears that the retail trade might be losing some of its buoyancy.

"I think you can say May was something of an aberration and any anxieties should be dissipated by June's numbers," said Mr Ian Harwood, chief economist at Warburg Securities.

Christoper Parkes adds: Mr Richard Weir, director general of the Retail Consortium, the industry's main representative body, said consumers' nervousness before the general election may have contributed to May's fall.

This carried over into the early part of June when sales of durables and other costly items suffered. Furniture and furnishings appeared to have sold well throughout the month, although fashions and fresh foods had again been affected by the poor weather in much of June.

Pits still idle in coal dispute

BY CHARLES LEADBEATER

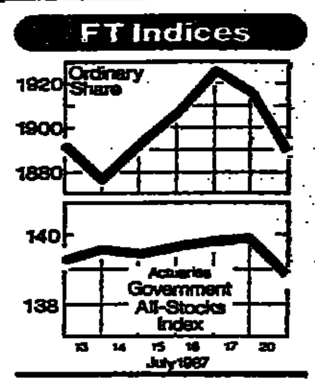
ELEVEN PITS in the Yorkshire coalfield employing about 8,000 miners were still idle yesterday in the dispute over the operation of state-owned British Coal's disciplinary code.

Nine hundred miners at Frickley colliery seem set to consider calling off their strike, however. This began over the suspension of five men and led to the disruption of the entire South Yorkshire coalfield last week.

Frickley became increasingly isolated after delegates to the Yorkshire National Union of Mineworkers' area council voted by 60 to 3 to recommend a return to work, in line with the area executive's decision on Saturday.

Mr Steve Tully, the Frickley branch secretary, admitted that the pit could not fight on alone. Several delegates said that miners at pits which had voted to return to work would start to cross picket lines despite their loyalty to the traditions of the union.

The strike began last Tuesday and flying pickets brought out 13,000 miners at 15 other pits over the following two days.



Inflation fears unsettle markets

By Janet Bush and Terry Byland

NEWS OF last month's surge in bank lending and a rebound in retail sales yesterday unsettled British financial markets which have been displaying increasing concern about a possible build-up of inflation in the economy.

Yesterday's figures provided further evidence of the buoyancy of consumer demand and the substantial appetite for credit, particularly in the personal sector, at a time of fast economic growth.

The UK Government bond market reacted particularly badly to the figures which were seen pointing to higher inflation and ruling out lower interest rates. Government stocks (gilts) closed down 1¼ points.

The Bank of England is known to have been concerned for some time about bank lending and yesterday's much higher-than-expected figure underlines official caution towards interest rates. It is thought that under current monetary conditions lower rates are ruled out.

Seasonally adjusted bank lending rose £3.9bn in June while the unadjusted figure was even higher at £4.7bn. Even taking into account £400m arising from the restructuring of a bank, the adjusted total was far higher than the £2.4bn average monthly growth in bank lending over the past six months.

There is no doubt that concern has been increasing in financial markets. There are fears that inflationary pressures are building in the economy and that surging consumer demand, fuelled partly by high lending to the personal sector, could suck in imports.

Yesterday's figures showing retail sales volumes rose 3.1 per cent in June after May's erratic 3.5 per cent decline seemed to confirm the strong upward trend.

Mr Gavyn Davies, chief UK economist at securities house Goldman Sachs, said the bank lending figures were worrying although he still believed the underlying rate of inflation was relatively stable.

Mr Ian Harwood, chief economist at Warburg Securities, said he saw few immediate dangers for the balance of payments as British industry was capable of responding to higher domestic demand. "We might as well have low growth for ever just because of fears the economy will overheat," he said.

Sterling weakened to close in London at DM 2.9825 compared with Friday's closing DM 2.9990 and at $1.6020 after $1.6085.

The setback in government securities fuelled a technical shake-out already underway in equities. Despite an attempted rally on the retail sales figures, the FT-SE 100 index closed 28 points lower at 2400.7 and the FT ordinary share index ended down 27.3 at 1889.6.

Broad money M3 rose a provisional, seasonally adjusted 1 per cent in June compared with its 2.1 per cent rise in May while narrow money, Mo, rose by 0.2 per cent after May's 0.5 per cent increase.

Thatcher accused of personal intervention over spy book affair

BY TOM LYNCH

MRS MARGARET THATCHER, Prime Minister, may have usurped the function of the Government law officers in moves to stop newspapers publishing extracts from the book, Spycatcher, by Mr Peter Wright, the former secret service officer, Mr Tam Dalyell, the Labour MP, said yesterday in the House of *Commons.*

However, Sir Patrick Mayhew, the Attorney General, insisted that decisions taken by him about criminal proceedings – such as the current contempt actions against newspapers which have published the Wright allegations – were taken entirely on his responsibility "without reference to the Prime Minister or any other minister."

Earlier, at Question Time, Mr John Morris, the shadow Attorney General, asked for an assurance that there was no basis for the inference that, had the courts ruled against the Government's criminal contempt proceedings against the Sunday Times newspaper, which has printed extracts from the book, the Prime Minister would have instructed Sir Patrick to seek an injunction to stop the paper publishing further details.

Sir Patrick told him he had sole responsibility for decisions on whether to proceed in criminal matters. However, all ministers had a legitimate interest in protecting the duty of all security officers to maintain confidentiality about secret service matters.

Mr Dalyell said the Treasury Solicitor's office had called the solicitor for the Sunday Times on July 8 to say that the Prime Minister was in a meeting, but when she was free she was expected to ask the paper for an assurance that it would publish no further extracts from the Wright book.

An hour later, said Mr Dalyell, the Treasury Solicitor's office called back demanding just such an assurance.

"This would appear to be an example of the Prime Minister stepping in to what parliament has always believed was the sphere of decision-making of a law officer." It was "a *prima facie* case of blatant abuse of a law officer's responsibility."

However, Mr Dalyell's request for an emergency debate was turned down by the Speaker (chairman) Mr Bernard Weatherill.

TUC delay expected on nuclear decision

By David Brindle, Labour Correspondent

THE TRADES union congress (TUC) is expected to defer for another year a decision on whether to act against nuclear power generation in the wake of the Chernobyl disaster in the Soviet Union.

Union leaders are likely to agree tomorrow to extend by 12 months the nuclear energy review, set up last year. This will be crucial in determining whether the TUC maintains or abandons its present balanced energy policy.

The issue is a delicate one for the organisation and raises such fierce passions on either side of the nuclear argument that union leaders will gladly opt for a deferral.

The general council will view a report by the energy review team, which has held 14 meetings and two weekend study sessions and has visited nuclear plants in Britain and Sweden as well as in Chernobyl itself.

The report, to go before the TUC Congress in Blackpool, on the north-west coast of England, in September, is believed to conclude that further research is needed before a definitive conclusion can be drawn.

Health jobs 'for private tender'

By Our Labour Staff

HOSPITAL PORTERS would be the next group of National Health Service workers to have their jobs put out to competitive tender, Cohse, the health workers' union, predicted yesterday.

The union was launching a report, The Price of Life, which brings together various proposals made by health authorities and political and pressure groups for further privatisation within the service.

The report says: "The views of the ultra-right and those of the establishment have converged with frightening rapidity so that the heresies of yesterday are the serious proposals of today."

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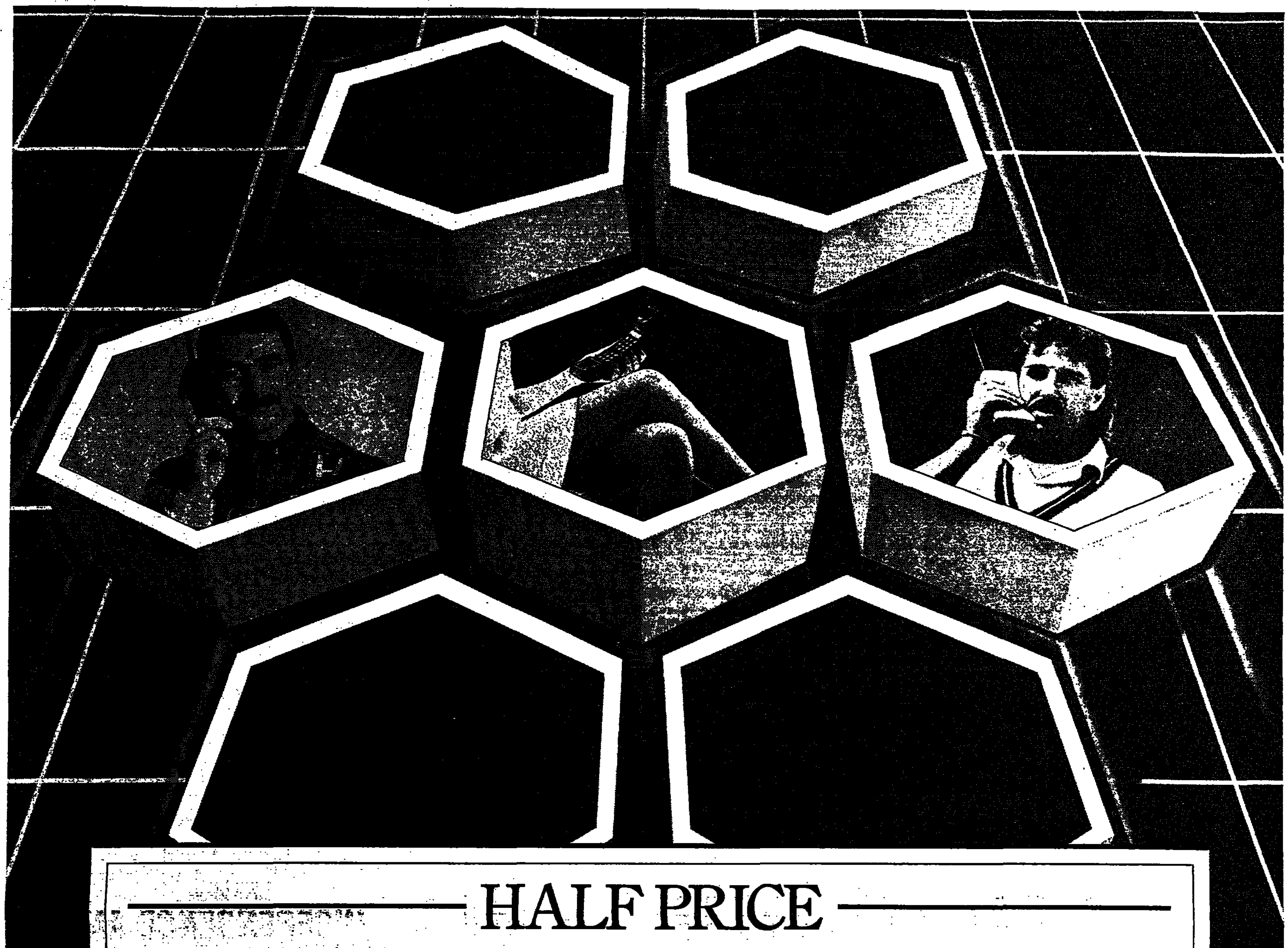


Ban on Spycatcher is 'unrealistic', court told

FINANCIAL TIMES REPORTER

THE COURTS were in danger of becoming a "laughing stock" over the Peter Wright affair, the High Court was told yesterday.

Mr Stephen Nathan, counsel for the Observer newspaper, said it would be a tragedy if the courts assisted the Government in preventing publication in the UK of Mr Wright's allegations, in the face of the now overwhelming availability of his book, "simply for the purpose of making a point."

Mr Wright's book Spycatcher, which alleges misconduct by MI5, was published by Viking Penguin in the US last week.

The judge, the Vice-Chancellor, Sir Nicolas Browne-Wilkinson, was hearing applications by the Observer and The Guardian to lift injunctions obtained by the Government last summer, banning them from publishing the memoirs of Mr Wright, a former MI5 officer.

Mr Nathan said he could well understand the Government wanting to make a political point and to appear consistent, but it had reached the point where it was wholly unrealistic to try to maintain that the information was confidential.

He agreed with the Vice-Chancellor's suggestion that, "if one is allowed to apply any real common-sense, this information is now so widely disseminated and so easily available that for the court to go on saying 'you can't do this' is simply not facing reality."

However, the judge said that, on the other side of the argument, there was the principle of enforcing contract and legal obligations which could have a disciplinary effect.

The Attorney General, Sir Patrick Mayhew, QC, is arguing for the continuation of the injunctions obtained by the Government against The Guardian and the Observer on the grounds of the need for confidentiality by former secret service employees.

The Vice-Chancellor is also hearing a move by the Attorney-General to continue an injunction, granted last week, against The Sunday Times, which had published extracts from Mr Wright's book to coincide with the US publication.

Mr Desmond Browne, counsel for The Guardian, said that the US publication had "revolutionised" the argument that Mr Wright's allegations could no longer be muzzled in Britain. The Government, he said, had done nothing to stop the first copies of Mr Wright's book being brought into the UK.

Mr Browne said that the injunction had prevented The Guardian and the Observer from reporting the many newsworthy stories stemming from the book, yet the foreign press had had a free hand. He argued that it would be futile to continue the injunction. "Quite clearly the material is no longer secret and the prize the Attorney General sought to preserve has evaporated," he said. The Attorney General could be likened to King Canute's courtiers.

Mr Browne added that the "ice cube" of confidential information which the Attorney General had sought to refrigerate was now a "pool of water." The judge commented that, although the ice cube might be a pool of water in the US, it was "just a bit mushy" in the UK.

At the end of yesterday's submissions, Anthony Lester, QC, for The Sunday Times, said his client accepted that, if the injunctions against The Guardian and the Observer were upheld, the injunction against The Sunday Times must also stand.

The hearing resumes today.

Parliament, Page 10

BBC leads move to set up satellite sport TV

By Raymond Snoddy

THE BBC is playing a leading role in moves to set up a satellite sports television channel for cable television companies across western Europe.

Mr Alan Hart, BBC controller of international relations, will chair a meeting of public-service broadcasters in London next week to start drawing up a business plan.

The plan is to use the sports coverage and rights to sporting events already held by the European Broadcasting Union to produce the European equivalent of ESPN, the US 24-hours-a-day sports channel.

A meeting this month in Copenhagen of all directors general of the EBU, which represents about 30 of Europe's public service broadcasting organisations, asked for the idea to be investigated. A feasibility study is being undertaken.

Senior BBC executives believe that eventually a Europe-wide sports channel will be created and that the EBU is in a very strong position because of existing relationships with sports organisations.

A mixture of sponsorships and advertising would be the obvious, and possibly the only way, to finance such a channel.

About 12 EBU members, including ZDF of West Germany, are believed to be interested in the project, which might begin broadcasting next year, depending on the availability of satellite channels.

If an EBU-sponsored sports channel were to get under way, it would provide serious competition for Screensport, the W. H. Smith-owned sports channel available to 400,000 homes in the UK, Ireland, Finland and Sweden.

The talks by public-service broadcasters seem to have evolved out of the Europa channel, the European satellite channel that ran out of money last November.

Attempts to revive Europa seem to have made little progress and the plan for a sports channel is a separate project.

David Fishlock on government plans for research and development

Raising the scientists' morale

THE PRIME Minister is to take charge of Britain's civil research and development programme, through new machinery outlined in a white paper on civil R and D published yesterday.

The paper responds to criticisms made by the Lords committee on science and technology in a report in January, which said the central weakness in Britain's £8bn annual R and D effort was its lack of co-ordination.

The peers called for action at the highest level of government, to raise the morale of the science community and focus its efforts.

They concluded that neither government nor industry was spending enough to restore Britain's place in world markets, and that Whitehall departments were concerned only with their own corner.

In response, the Government proposes to make the focusing of R and D on particular economic objectives a national priority.

The primary difficulty, the Government says, is the low level of investment by British industry in R and D. It agrees with the committee that the main responsibility for funding development—the main portion of R and D costs—lies with industry, not government.

The three main themes that run through government support of civil research and technology are:

- Maintaining and enhancing quality in science and technological activities.
- Increasing the economic and social returns (including "quality of life") from science and technology.
- Better management, greater concentration and selectivity of science and technology activities.

The Government says its proposals are designed to address all three objectives more effectively.

Its strengthened central structure for R and D has two main components. One is collective responsibility through a cabinet committee headed by the Prime Minister, which will determine national priorities.

The other is a body tendering independent technical advice to ministers across the science spectrum.

The advisory body will be the Advisory Council on Science and Technology — Acost — announced this month, under the chairmanship of Sir Francis Tombs, chairman of Rolls-Royce.

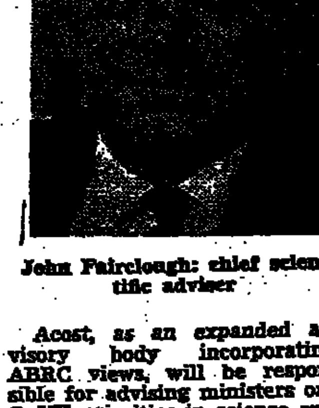
A vital component of Acost will be the academic science community.

Under the present system, academic science is overseen by the Advisory Board of the Research Councils.

In its report, also published yesterday, the ABRC acknowledges the "lack of purposeful direction, nationally, in the redeployment of university research effort, both between and within institutions."

Present policies, it says, fail to achieve the degree of concerted effort needed to maintain international competitiveness quickly enough."

In a series of recommendations likely to prove controversial in the British academic community, which are summarised below, the ABRC makes the case for differentiation between three different kinds of institution for higher education, with the implication that front-line research will be concentrated in only one kind.



John Fairclough: chief scientific adviser

Acost, as an expanded advisory body incorporating ABRC views, will be responsible for advising ministers on:

- UK priorities in science and technology.
- Applications of science and technology, developed for the benefit of both public and private sectors in accordance with national needs.
- Co-ordination, in collaboration with departmental chief scientific advisers, of science and technology activities.
- The nature and extent of UK participation in international science and technology collaborations.

Acost will report to the Government's chief scientific adviser, Mr John Fairclough. He is also to be chairman of an expanded committee of departmental chief scientific advisers, now to take account of the Government'se economic objectives.

The report is critical of British industry's low rate of investment in R and D. It quotes the Organisation for Economic Co-operation and Development figures which show that less than 66 per cent of R and D carried out by UK industry in 1985 was funded from its own resources, compared with 67 per cent in the US and 72 per cent in France (1984).

At the committee's suggestion, it investigated the experience of other nations in using tax incentives to try to stimulate R and D investment. In a third report published by the Government yesterday, of tax incentives in 10 countries, it concludes that for Britain's main trade rivals, "including those where industry-financed R and D is highest, the incentive to R and D investment was small or at best neutral."

It finds the balance of evidence shows that additional R and D stimulated by tax incentives among the nations studied "is roughly one-half of the revenue foregone by the Government, so that average cost-effectiveness is low.

The Government plans to make statistical surveys of industrial R and D investment, for publication in parallel with its annual surveys of government R and D spending.

Civil Research and Development. Government response to the first report of the House of Lords Select Committee on Science and Technology, 1986-87 session. CMnd. 185 HMSO (£2.20).

A strategy for the science base. HMSO (£3.95).

Fiscal incentives for R and D spending. Inland Revenue Reference Room, Room 8, New Wing, Somerset House, Strand, London WCR2 1LB (£15).

GEC wins £50m gas turbine order from General Electric

BY DAVID THOMAS

GENERAL ELECTRIC COMPANY, the electronics and engineering group, has won its largest contract for gas turbines with a £50m deal from General Electric of the US.

This deal extends significantly the co-operation between the two companies, which do not have any equity connection. It involves GEC designing and manufacturing parts for General Electric, as well as marketing joint GEC-General Electric products under its own name.

The contract, awarded to Ruston Gas Turbines, the GEC division based in Lincoln, has three main elements.

Ruston will design and make turbines for General Electric's new gas generator, known as the LM1600. The generator's main markets are likely to be in shipping, oil and combined heat and power.

It will also assemble and test complete packages, using General Electric's gas generators and Ruston's turbines, and then market them worldwide under the Ruston name. It will make other parts for the full range of General Electric's gas generators.

The deal will mean orders for Ruston into the 1990s. Ruston, the annual turnover of which is understood to be near £150m, will supply the first turbines for the LM1600 at the start of 1989.

The package extends into the smaller end of gas turbines the existing arrangement between the two companies for larger turbines. Ruston supplies turbines for General Electric's LM 5000 gas turbine range.

Mr Kelvin Bray, Ruston managing director, said: "This new agreement provides Ruston with an excellent opportunity to extened its current business relationships with General Electric."

The two companies are also discussing further collaboration in gas turbines for aero-engines, a field in which Ruston is not active at present.

London fares likely to rise

BY KEVIN BROWN, TRANSPORT CORRESPONDENT

FARES ON LONDON'S bus and Underground services are likely to rise in the autumn for the second time this year, partly to ease congestion caused by record numbers of passengers.

London Regional Transport, the publicly owned corporation that runs both services, disclosed in its annual report yesterday that Underground travel rose by 4 per cent last year to a record 3,800m passenger miles.

That is an increase of 70 per cent over the last five years, mainly as a result of the introduction of Travelcards and joint marketing with British Rail.

Bus travel was up by 5 per cent to 2,700m passenger miles, the highest since 1978, in spite of a marginal fall in bus mileage because of industrial action.

As a result, fares subsidies from the Government and London ratepayers were cut by £34m to £52m and total grants were cut by £28m to £294.8m.

The continuing rise in demand has led to increases in average waiting times, from 3.35 minutes to 3.38 minutes for Tubes and from 7.28 minutes to 7.35 minutes for high-frequency bus services.

In addition, congestion at many Underground stations is approaching unacceptable levels. Passenger numbers were up 10 per cent at King's Cross and Victoria, and Angel station at Islington has had to be closed on a number of occasions to avoid the crush forcing passengers on to the tracks.

Fares were increased by an average of 6.5 per cent in January, but the average cost of an Underground journey is only about 80 per cent in real terms of the cost five years ago.

Sir Keith Bright, LTR chairman, said that Travelcards were regarded as underpriced, but he had "no personal view" on whether that meant fares would rise.

London Regional Transport is believed, however, to have drawn up a range of options for fare rises up to 20 per cent, all of which would increase revenue while reducing demand. The figures are believed to show that passenger numbers would fall significantly after increases of more than 10 per cent.

A decision will be made after the publication of a revised statement of objectives by Mr Paul Channon, Transport Secretary, which is expected in about six weeks.

In the longer term, London Regional Transport is planning to spend about £100m to ease congestion at the busiest stations.

Cable franchise sell-off

By Raymond Snoddy

TWO OR three new cable television franchises are likely to be advertised in the next few week—the first since February 1986. They are believed to cover the affluent London boroughs of Kensington and Chelsea and north-east Lancashire.

Later this year, operators are likely to be sought for the city of Birmingham, the largest franchise ever to be advertised.

The Cable Authority, which regulates the cable television industry, has decided in principle to let Birmingham as a single franchise, partly because of the support of the local authority.

To cable Birmingham, it is estimated, would require investment of about £100m.

The precise timing of the advertising of the franchises depends on how quickly potential applicants can impress the authority that they stand a good chance of raising the necessary money—usually about £30m for every 100,000 homes passed by the cable network.

The decision to advertise new franchises is an indication that the authority believes the financial climate for cable television may be improving, however modestly.

Mr Jon Davey, director general of the Cable Authority, said yesterday: "What is now happening is an increase in both interest and confidence."

In its annual report published last week the authority said the number of homes connected to cable had increased by 34 per cent over the year.

Commercial satellite television channels have changed viewing habits in Europe, according to Pan European Television Audience Research.

The study conducted in 12 western European countries showed that between March 16 and April 12, an estimated 14.3m individuals watched commercial satellite channels at least once.

Split planned for science higher education

CHANGES IN the way scientific research is organised and managed in Britain are proposed in a report from the Advisory Board for the Research Councils, which advises the Secretary for Education and Science on the deployment of the national science budget, writes **David Fishlock**.

Its most controversial proposal is that universities and polytechnics should be differentiated into three types, namely:

- Type R—offering undergraduate and postgraduate teaching and substantial *research activity across the* range of fields.
- Type T—offering undergraduate and MSc teaching with associated scholarship and research activity, but without advanced research facilities.
- Type X—offering teaching across a broad range of fields and substantial research activity in particular fields, sometimes in collaboration with others.

The proposals are an integral part of government plans for a national science base more responsive to economic objectives. But Prof Sir David Phillips, the ABRC chairman, in a letter to Mr Kenneth Baker, Education Secretary, accompanying the report, acknowledges its recommendations as far-reaching and perhaps controversial. He admits that not all board members support all the proposals.

The report urges research *councils to develop more* explicit policies for the management of research manpower in universities.

It also calls for interdisciplinary research centres in association with the type R institutions, and with the type X institutions which can make a good case collaboratively.

It wants much of the research councils' support for universities channelled through such multi-disciplinary centres, "which would each have a positively managed coherent programme of work undertaken by a small number of core staff and 'visiting' teams of researchers."

It wants to see type R and X institutions bidding to host such centres.

It also wants responsibility for all additional equipment, materials and technical and other support costs associated with research council projects *to be transferred from universities* to the research council concerned. That should apply immediately to programmes of the Alvey type and to the proposed multi-disciplinary centres.

It argues that throughout the science base, greater emphasis needs to be laid on the potential for producing useful results — on exploitability. "In particular, judgments of potential utility should play a greater part in determining the relative level of effort to be devoted to different fields of basic research."

To that end, it proposes that the board and the research councils should adopt new common criteria for gauging priorities in science, taking account of timeliness, pervasiveness, excellence, exploitability, applicability and significance for education and training.

It urges the research councils *to give higher priority to* programmes of research and research training undertaken collaboratively with users, to increase the chance of exploitation and reduce the information gap between business and science.

Universities to compete for superconductor research

BY JANE RIPPETEAU

ELEVEN universities are being asked to compete for selection as the UK's main superconductivity research centre by the Science and Engineering Research. Funding of between £1m and £2m is at stake, and proposals are due on September 15.

The council intends to name its selection by January 1988 and have the centre "up and running by March or April." It said it was intended to establish a centre adjacent to, but independent of, whichever university was selected.

Universities that have been asked to submit proposals are Birmingham, Bristol, Cambridge, Durham, Imperial College in London, Leeds, Liverpool, Oxford, Southampton, Strathclyde and Warwick.

Concern has been widespread, mainly among academics, that Britain is falling behind in the world race to commercialise newly-discovered "high-temperature" superconductors.

The council has moved superconductors to the top of its list of so-called inter-university research centres — informally called "centres of excellence" —that it wants to create to coordinate research

- The council expects *this week* to name recipients of grants totalling about £750,000 for superconductivity research. Eleven winners were chosen from 26 applicants.

LRT housing sales might raise £20m

BY KEVIN BROWN,

LONDON Regional Transport *has sold almost 1,000 houses* and flats in a series of auctions and private sales expected to raise between £15m and £20m.

The sales include hundreds of Victorian homes built for staff of the privately owned Metropolitan Railway and London and North Eastern Railway before the establishment of an integrated Underground system.

About a third of the houses are believed to have been sold to sitting tenants at discounts of 30 per cent on valuations obtained last autumn.

House prices have since risen substantially in most parts of London, offering the prospect *of substantial capital gains to* those tenants who opted to buy. No resale conditions were imposed by LRT.

Mr Geoffrey Sullivan, LRT's director of estates and valuations, said tenants who had chosen not to purchase were protected by the Rent Acts.

He said the sales reflected LRT's intention to concentrate on running bus and Underground services and its reluctance to act as a housing authority.

Mr Sullivan refused to give details of the value of the properties but about 120 homes sold at auction are known to have raised around £7½m. Other LRT officials said the total *revenue was expected to be* more than double that.

The sales include an estate of 270 houses at Neasden built as a "railway village" by the Metropolitan Railway in the 1880s for staff of the nearby Neasden workshops.

The estate, which was regarded as a model for working class housing, was built on a greenfield site near the River Brent by a company with a reputation for caring deeply about the welfare of its staff.

It now stands in heavily built-up suburbia and many of the houses have developed structural defects that LRT could not afford to remedy.

Spitalfields project deadline

BY PAUL CHEESERIGHT, PROPERTY CORRESPONDENT

THE Spitalfields Development Group, a consortium of property and construction companies in the running for the contract to redevelop the east London market site, is threatening to withdraw from the project.

It said it would turn its back on the area, recently visited by Prince Charles, who called for a crusade against inner city deprivation, unless planning delays could be overcome by the autumn.

That deadline was chosen because a bill needs to be lodged in Parliament by November for the transfer of the vegetable and fruit market to another site the consortium owns at Temple Mills in the borough of Waltham Forest.

If the bill is not lodged by then, the parliamentary timetable means there would be another year's delay in moving the project forward. The consortium made clear yesterday that it was not prepared to wait that long.

The consortium is made up of London and Edinburgh Trust, Balfour Beatty and County and District Properties, with London and Metropolitan as project manager. It is in competition for the redevelopment of Spitalfields with two other consortia — Rosehaugh Stanhope and another led by Priests Marian Holdings.

Behind the consortium's frustration is the result of a meeting last week of the Bethnal Green *Neighbourhood* Committee, effectively the Spitalfields planning authority for the borough of Tower Hamlets. It welcomed the consortium's proposals, although it had reservations about the architecture and deferred a decision.

The consortium announced yesterday that it had lodged a planning application with Waltham Forest for a 300,000 sq ft retail and leisure complex at the Temple Mills site to be followed through if the Spitalfields deadline *is not met*.

It also said that if it did not go ahead with Spitalfields, other properties it owns on the side of the market site but within the City of London, would be redeveloped as offices.

Free of such complexities, Sheffield Forgemasters is to convert a 100-acre steel mill site in the Lower Don Valley, a mile from Sheffield city centre, into a retail warehouse park of 350,000 sq ft and an industrial park of 200,000 sq ft.

Fuller Peiser, advising the steel company, said planning permission had been granted by Shefield city council

Deposit-based pensions face legal obstacle

By Hugo Dixon

BUILDING SOCIETIES and banks may not be allowed to sell deposit-based personal pensions when they are deregulated next year because of a legal technicality.

The obstacle, which has been discovered by lawyers working for the Building Societies Commission, the industry's regulatory body, is that societies appear not to have the legal power to market such pensions. There is a similar obstacle for banks under banking legislation.

The 1986 Building Societies Act explicitly allows the sale of unit-linked pensions and also the offer of customers deposits. However, lawyers are worried that a deposit-based pension does not legally constitute a deposit.

A deposit, they believe, must fulfil two conditions: it must be paid back to the person making it and paid back within a reasonable period of time. In a deposit-based-pension, money is paid to an insurance company to buy an annuity—sometimes many years after the deposit has been made—and so fulfils neither condition.

UK 2000 smartens up for a first birthday celebration

Andrew Taylor on the progress of a year-old environment improvement project

THE EFFERVESCENT Mr Richard Branson, millionaire businessman and adventurer, will make time today to fit a first birthday party into his busy schedule.

Among his many and varied interests, which include trans-atlantic ballooning, power-boat records and running his Virgin music and airline businesses, Mr Branson is also chairman of UK 2000.

That futuristic-sounding government-sponsored organisation—originally to have been called the National Environment Work Scheme—was established just over a year ago to co-ordinate clean-up and environmental improvement projects using unemployed people on the Community Programme.

The aim of UK 2000 and the seven voluntary environmental bodies with which it works, including Friends of the Earth, British Trust for Conservation Volunteers, Groundwork, Royal Society for Nature Conservation and Keep Britain Tidy, was to create 5,000 jobs in its first year.

It has not quite achieved that target but has stil created more than 4,000 jobs for people on the Community Programme. They have been working alongside about 8,000 volunteers on 250 projects started under the UK 2000 banner, since July last year.

Unfortunately, the publicity the organisation has attracted has not always lived up to UK 2000's worthy objectives or its catchy title.

The scheme proved slow to start. While a large number of small projects have successfully got under way, there have been few large headline-grabbing developments.

Trade union leaders, particularly public services unions, have attacked the initiative as a publicity stunt that has failed to live up to its hype. National newspapers have regularly criticised UK 2000 for failing to clean the rubbish from Britain's streets.

Last Friday, Mr Branson, often mistakenly identified as some kind of unofficial minister for litter, was impelled to pen a letter to The Times to correct a misunderstanding of his role at the organisation.

"I was never asked to tackle the nation's litter," he said. "My task at UK 2000 is to stimulate more and better work to improve the whole environment and to find interesting jobs for those who are out of work."

The Manpower Services Commission, which runs the Community Programme, has paid about £22m to fill the more than 4,000 places promoted by UK 2000, which was given a first-year budget of £750,000 by the Government. A further £500,000 to £750,000 has been provided in cash and gifts from private companies and individuals.

So what environmental improvements are being made and what interesting jobs have been found for the unemployed who, if they are under 25, must have been unemployed for at least six months and if over 25 out of work for a year to qualify for the scheme?

A typical UK 2000-backed project is a scheme to clear and landscape surplus land provided by British Rail Property Board next to Wigan station. A digger was provided free by J. Case, the construction equipment manufacturer; skips to carry away debris were given by Waste Management. The project provided 48 jobs.

At Spalding in Lincolnshire, UK 2000 is backing a Civic Trust project to rebuild decaying brick quays on the River Welland. Turners Turkeys, a local company, has donated £9,000 to help to pay for the work. Barclays has helped to sponsor several projects, including providing £3,500 for a nature trail, complete with "tapping rails" for blind walkers.

Other corporate sponsors include Esso. The oil group, as well as providing £30,000 cash, has also allowed UK 2000 to use some of its offices and has seconded Mr Alex Brown, one of its senior executives, to run UK 2000 in Scotland.

Mr Brian Lymbery, UK 2000's director, says one reason why it has been unable to pursue larger-scale projects has been changes in emphasis in government unemployment policy that have made it harder to get enough places *from the Community* Programme to staff bigger projects.

The situation, he says, should improve after recent discussions with the Manpower Services Commission.

The last word should perhaps go to Mr Branson himself, who has often been infuriated by what he regards as unfair and misguided criticism but has maintained his enthusiasm for the UK 2000 initiative.

He writes: "I am pleased at the start UK 2000 has made, although obviously the task ahead will be a long one. Hence the name."

BMW results

THE UK subsidiary of BMW, the West German car company, would have suffered a taxable loss in 1986 but for a £12.35m currency trading profit, Mr Paul Layzell, managing director of BMW (GB) said yesterday.

In the story on the BMW (GB) results published yesterday it was *incorrectly stated* that there was a £12.35m trading loss for 1986. A currency trading loss, of £4.85m, occurred in 1985. BMW (GB) reported a £10.55m pre-tax profit for 1986 compared with one of £18m the previous year.

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Midland Montagu Ventures

Citizen Watch to build Scunthorpe printer factory

BY DAVID THOMAS AND HAZEL DUFFY

CITIZEN WATCH, the Japanese watch and office equipment manufacturer, is to build its first computer products factory outside Japan at Scunthorpe on south Humberside.

The £6m plant, which will make computer printers, is the first substantial investment by a Japanese company in the Yorkshire and Humberside region.

The company is planning to create 300 jobs at the factory by the end of next year, when it will have built up to an output of 30,000 units a month. About three quarters of the output will be exported to continental Europe.

The company said it has speeded up its decision because of the European Commission's investigation of whether to impose anti-dumping duties on Japanese computer printers. However, it insisted that it had always intended to make computer products in Europe once sales justified the move.

Citizen, which has been diversifying out of its base in watch manufacturing, claims 8 per cent of the European computer printer market. It forecasts sales in Europe this year of almost 250,000 printers, worth about £50m.

Mr Morio Kizawa, Citizen's president in Europe, said the company had considered locating in West Germany and France before it chose Scunthorpe.

Reasons for locating in the UK included the language, the good economic prospects and the sound industrial relations. Citizen has held talks with the conciliation service Acas about seeking a single union deal for its new plant.

Mr Kizawa said the British Government "has bent over backwards to accommodate us and to lighten the load of our £6m investment." Grants of up to £1.5m are believed to have been made by the Department of Trade and Industry towards the project.

Mr John Gunnell, chairman of the Yorkshire and Humberside Development Association, said: "This announcement is a vindication of the time and effort we have put into marketing the region in Japan."

The company will begin making two printers in its range this year at a temporary site in Scunthorpe employing 100 workers, before moving next year to a purpose-built factory. The new factory will allow Citizen to double its output whenever it wants.

Further expansion of the plant might involve Citizen in making other computer peripheral products, such as computer monitors and floppy-disk drives, as well as extra printers.

Mr Kizawa said the company intended to source most of its raw materials and components locally by the end of 1988.

Media campaign over UK Opren claimants

FINANCIAL TIMES REPORTER

THE BRITISH organisation campaigning on behalf of people seeking compensation for alleged side-effects from the anti-arthritis drug Opren has launched a new initiative.

The organisation, Citizen Action, is writing to all UK doctors and pharmacists about the case and is paying for newspaper advertisements. It is seeking to persuade Eli Lilley, the US makers of Opren, which was withdrawn in 1982, to act "more humanely."

Mr Jack Ashley, the MP, who campaigns on health issues, said yesterday he would ask the Government to intervene to ensure that Eli Lilley came to a reasonable settlement.

Citizen Action said it had written to Lilley Industries in the UK urging that a trust fund be set up to compensate those who had suffered side-effects. About 1,400 people in Britain are seeking compensation.

Mr Derek Anthony, manager of industry affairs at Lilley Industries, said the company would "study with interest" the suggestion of a trust fund.

Traditional tea trolley trundles into history

By Alice Rawsthorn

THE DAYS of the traditional tea trolley are numbered. More and more companies are abandoning their old-fashioned trolleys crammed with clattering cups and steaming pots of tea in favour of vending machines, according to a new study.

Already four out of five companies that offer a drinks service to employees use vending machines. A Euromonitor report into the catering equipment industry expects that trend to continue as the benefits of manufacturers' recent investment in "full meal" vending systems filter through.

The demise of the tea trolley is just one result of the transition of the catering sector from a labour-intensive to a capital-intensive industry. Euromonitor envisages the institutional catering system of the future as one using larger and more sophisticated equipment together with a well organised distribution system.

The use of more sophisticated equipment, together with product advances and trends towards cook-chill and self-service facilities, should ensure continued growth for the whole catering equipment industry. Euromonitor estimates that the market for catering equipment in the UK was worth £170m last year and has grown between 3 per cent and 4 per cent a year since 1981.

Every area of catering equipment, except food preparation, has seen healthy growth in the last five years. Annual sales in refrigeration have more than doubled to £22m and the servery equipment market has grown by 64 per cent to £29.5m.

Euromonitor anticipates further growth for both those sectors and for the waste disposal, cooking and dishwasher markets. Overall, catering equipment sales will be buoyed by product advances, the replacement of obsolete machinery and the increased use of higher value products.

Catering Equipment in the UK 1987. Euromonitor, 87-88 Turnmill Street, London EC1M 5QU. (£235.)

Anthony Moreton on an agency encouraging birth and growth of local business

Catalyst of enterprise in the Welsh economy

MR PETER WALKER, who became Secretary of State for Wales after the general election, paid his first visit to the Welsh Development Agency yesterday.

In talks with Mr John Williams, the WDA chairman, Mr David Waterstone, the agency's chief executive, and other members of the board, he was told how the WDA was now a catalyst for change in Wales rather than an instrument of intervention. In particular, Mr Walker was made aware of the agency's revised strategy plan, completed last February, which is intended to take Wales into the 1990s.

Although most of the structural changes in coal, steel, the ports and the railways have been completed, unemployment remains too high and there are difficult black spots in the economy such as agriculture. Nevertheless, a report prepared for the WDA this year showed an economy rising faster than elsewhere in the UK.

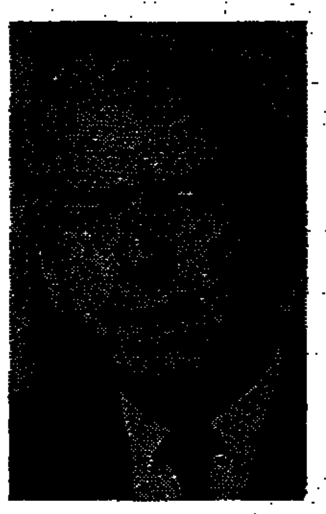
Mr Walker has therefore arrived in Wales at a time of rising morale, especially in the industrial south-east and north-east.

The WDA, like its counterpart in Scotland, was established 11 years ago by the second Wilson government to act as an interventionist instrument. The arrival in 1979 of Mrs Margaret Thatcher in government with her different economic approach, loyally pursued by Mr Nicholas Edwards, her first Welsh Secretary, has led to a considerable change of emphasis.

The WDA still takes equity stakes in companies and builds advance factories, but the emphasis now, according to Mr Waterstone, is "through encouraging the birth and growth of indigenous business. This is the prime way to reinvigorate the Welsh economy."

The traditional route to growth has always been seen as *attracting inward investment*. That has in the past been successful, since more than 50,000 people in the country work for overseas concerns and Winvest, the WDA arm dealing with the sector continues to play an important role.

But as the flow of internationally mobile investment dried up in the early 1980s it became essential to look inward rather than outward for, first, survival then growth.



Peter Walker: Wales could be a role model

That means the agency has had to take a fresh look at its advance factory policy. Rather than simply putting up shells and leaving tenants to do the rest, the WDA is researching to see what tenants want and making a bigger effort to provide it.

One result can be seen at the Cleppa Park development on the edge of the M4 motorway just outside Newport, which is full of promises directed towards the high-tech market.

Similarly, the agency is looking to see what sort of businesses might be interested in particular areas.

"The intention now," Mr Waterstone says, is to "build *on the basis of the locality* and the type of business. There is a great shortage of good factory space in Wales and our aim is to produce the right factory for the tenant."

To stimulate indigenous growth, the WDA has also had to take an active financial role. "Apart from 3i we are the only provider of venture capital in Wales. Indeed, for sums up to £750,000 we are probably the only source of money," he says.

New-business growth is also encouraged by the use of consultants—a sector in which the WDA claims no monopoly, since both the Department of Trade and Industry in England and the SDA in Scotland employ them. However, the WDA can link its 55 full-time consultants to the provision of technical assistance through its Wintech *arm—something not* available in the other two countries.

Mr John Williams points to the "staggering" drop in the number of liquidations in Wales as proof that the policy is working. According to Dun and Bradstreet, the company-information concern, there has been a 14.5 per cent fall in overall business failures in Wales and a 29 per cent drop in the number of liquidations of limited companies in the past six months.

"This is clear evidence that Welsh businesses are doing better," he says, "and vindicates our view that growth comes *through the self-employed* and the small company."

To thrust home its message, the WDA has reorganised itself to deal with the economy. The country has been divided into four zones to take decision-making nearer the client: an eastern strip covering both Clwyd in the north and Gwent in the south; the valleys of south Wales; the end of the M4, covering Neath to Swansea; and the rural areas.

By working through such groups, the agency can complement government policy more easily since much of the Welsh Office economic support will concentrate on inner cities, represented in the principality by the industrial valleys, where severe industrial dereliction and social deprivation together with the problem of attracting medium-sized employers.

The agency itself is undertaking considerable work on land reclamation and urban renewal in the valleys, underpinning the work of the local authorities and other bodies.

There is evidence that the change of strategy has been noticed in high places. Last December, Mr Waterstone was called to 10 Downing Street to talk over the WDA's role in Wales with Mrs Thatcher's central policy unit. Mr Brian Griffiths, the senior policy adviser, has kept an eye on Welsh affairs since then.

It might be that what the Welsh have worked out, through practice, might become the *role model for plans being* worked out by Lord Young and his team at the Department of Trade and Industry. Regionalism and English development agencies appear to have receded within *government* thinking but the WDA's micro approach might still be appropriate to the needs of many English areas, especially the inner cities.

ICL to market business games

By David Thomas

ICL, Britain's largest computer company, and Cranfield School of Management have formed a joint venture company to market management games.

ICL said yesterday it believed that sophisticated management games, often computer-based, were likely to play an increasingly important role in management training.

Most companies in the management games field at present are specialist organisations with far fewer resources than ICL.

The new company, to be called ICL/Cranfield Business *Games, will be based at the* Cranfield campus near Bedford.

The joint venture will market management games to companies with large management training requirements.

Warning to borrowers as house prices keep rising

BY ANDREW TAYLOR

LOWER mortgage interest rates might lead house purchases to borrow beyond their means, according to a survey by estate agents.

The survey, which warns that house prices are continuing to soar, is published today by the Royal Institution of Chartered Surveyors.

More than a third of the 219 estate agents polled reported prices increasing by more than 5 per cent in the three months to the end of June. Only 7 per cent of agents reported price falls while 40 per cent had experienced increase of more than 2 per cent.

Mr Peter Miller, of the institution, said: "The general election result has brought with it the possibility of further cuts in interest rates and purchasers may be tempted to borrow larger sums of money.

"This can only help to fuel price increases and could lead to some borrowing beyond their means."

The institution said sales were continuing to boom after previous reductions in interest rates. Many estate agents were recording a higher level of sales than at any time this year. First-time buyers were continuing to be squeezed out of the market.

A regional survey compiled by the institution showed an even higher rate of price increase in East Anglia. Almost three quarters of agents reported increases of more than 5 per cent and 8 per cent of agents reported increases of more than 8 per cent.

The institution said the recent electrification of East Anglia's rail links into London would further fuel house price rises in the region.

Design students' work on show

By Feona McEwan

BRITAIN'S manufacturers, retailers, architects and interior designers will be able to see thet work of emerging young designers at a three-day event in London called Graduate Designers for Industry.

It is organised by the Design Council, House and Garden magazine and the Business Design Centre. The event, at the Design Centre, brings together about 250 designers of interior design and related products, drawn from colleges around the country, exhibiting furniture, textiles, glass/ceramics/metal, graphics and *interior design. Another 200* designs of home furnishings are also on show.

The show aims to centralise the process by which young designers meet industrialists

London & Scottish banks' balances

as at June 30 1987

THE TABLES below provide the first monthly indication of the trends of bank lending and deposits, ahead of the more comprehensive banking and money supply figures published later by the Bank of England. They are prepared by the committee of London and Scottish bankers and cover the business of their offices and their subsidiaries which are listed by the Bank of England as falling within the monetary sector.

TABLE 1.

AGGREGATE BALANCES	Total outstanding £m	Total outstanding £m	Change on month £m	Change on month £m
LIABILITIES				
Sterling deposits:				
UK monetary sector	30,130		−42	
UK private sector	113,237		+287	
UK public sector	4,614		+152	
Overseas residents	15,412		−858	
Certificates of deposit	9,283		−350	
		172,216		−811
of which: Sight		77,242		−205
Time (inc. CDs)		94,974		−606
Foreign currency deposits:				
UK monetary sector	18,130		+421	
Other UK residents	8,042		−41	
Overseas residents	43,959		−1,862	
Certificates of deposit	5,119		−249	
		75,249		−1,730
Total deposits		247,465		−2,541
Notes in circulation		1,005		−14
Other liabilities*		45,814		+1,778
TOTAL LIABILITIES		294,284		−776
ASSETS				
Sterling				
Cash and balances with Bank of England:				
Cash ratio deposits	528		0	
Other balances	2,386		+37	
		2,914		+37
Market loans:				
Discount houses	4,259		−829	
Other UK monetary sector	30,714		+416	
UK monetary sector CDs	4,642		+320	
Local authorities	1,165		−25	
Other	5,322		−486	
		46,102		−324
Bills:				
Treasury bills	543		+192	
Other bills	4,634		+146	
		5,178		+338
Investments:				
British Government stocks	5,128		−850	
Other	5,388		−156	
		10,516		−1,006
Advances:				
UK private sector	116,055		+3,776	
UK public sector	331		−9	
Overseas residents	6,153		−169	
		122,539		+3,608
Other sterling assets*		17,253		−1,231
Foreign currencies				
Market loans:				
UK monetary sector	17,121		−717	
Certificates of deposit	434		−43	
Other	36,190		−421	
		53,745		−1,181
Bills		469		−12
Advances:				
UK private sector	10,068		+444	
UK public sector	787		−10	
Overseas residents	15,961		−48	
		26,816		+386
Other foreign currency assets*		8,762		−1,129
TOTAL ASSETS		294,284		−776
Acceptances		4,937		+474
Eligible liabilities		129,369		+954

* Includes items in suspense and in transit.

TABLE 2. INDIVIDUAL GROUP BALANCES

	CLSB groups £m	Bank of Scotland £m	Barclays £m	Lloyds £m	Midland £m	National Wstmnstr. £m	Royal Bk. of Scot. £m	Standard Chartered £m	TSB £m
LIABILITIES OUTSTANDING									
Sterling deposits	172,216	6,570	38,868	26,930	27,197	47,085	10,272	3,644	11,699
Change on month	−811	+88	+106	−183	+31	−1,297	+284	+63	+97
Foreign currency deposits	75,249	1,021	15,114	10,047	12,262	23,341	4,560	8,737	167
Change on month	−1,730	−89	−15	+357	−2,441	−323	+544	+220	+18
Total deposits	247,465	7,591	53,982	36,977	39,460	70,377	14,833	12,380	11,866
Change on month	−2,541	−1	+90	+173	−2,410	−1,620	+828	+283	+115
STERLING ASSETS OUTSTANDING									
Cash and balances with the Bank of England	2,914	324	495	249	473	627	592	17	137
Change on month	+37	−62	+85	+23	−106	+86	+4	+2	+4
Market loans—UK monetary sector	34,972	880	6,658	4,238	5,243	13,554	1,506	785	2,008
Change on month	−413	+71	−493	−51	+515	−275	−42	−9	−129
Other	11,130	98	2,878	1,685	839	3,191	398	214	1,626
Change on month	−111	−21	−9	+67	−125	+22	+112	−65	−94
Bills	5,178	185	1,377	1,282	114	1,303	325	65	527
Change on month	+338	+1	+48	−176	−4	+445	−7	+4	+25
British Government stocks	5,128	177	865	509	686	538	220	231	1,891
Change on month	−850	−12	−1	−34	−439	−181	+4	+42	−209
Advances	122,539	5,074	28,908	19,261	20,436	30,875	8,207	3,383	5,965
Change on month	+3,608	+81	+1,191	+350	+410	+560	+355	+494	+176
FOREIGN CURRENCY ASSETS OUTSTANDING									
Market loans and bills	54,154	296	11,604	7,812	6,209	19,192	2,853	6,326	372
Change on month	−1,193	−113	−288	+54	−1,830	+121	+149	+449	+275
Advances	26,816	893	4,117	3,640	6,682	5,889	1,996	3,511	88
Change on month	+386	+41	+341	+113	−324	−115	+386	−54	−2
ACCEPTANCES OUTSTANDING	4,937	238	1,268	490	1,058	1,026	454	276	151
Change on month	+474	+16	+343	+71	−8	+21	+51	−11	−7
ELIGIBLE LIABILITIES OUTSTANDING	129,369	5,642	30,967	21,080	21,189	32,063	8,084	2,740	3,986
Change on month	+954	+62	+598	−42	−375	+185	+245	+72	+209

TECHNOLOGY

UK RESEARCH INTO SUPERCONDUCTORS

GEC ceramics: The atmosphere becomes electric

By David Fishlock, Science Editor

"OUR superconductor technologies are coming together in a quite extraordinary way," says Karl Gehring, manager of GEC's superconductivity programme.

Not only has GEC, the UK electronics group, found a remarkable diversity of potential uses in-house, it has also discovered a range of skills in formulating and understanding ceramics, for instance, that are beginning to look highly relevant.

For GEC, Gehring says, superconductivity, the phenomenon of materials that present virtually no resistance to electricity, began to get really exciting last March, with the first published report of a ceramic that superconducts at liquid - nitrogen temperature. Such a material could considerably lessen the problems of keeping electrical equipment at temperatures close to absolute zero (0 degrees Kelvin), as today's metallic superconductors require.

The company has identified a host of potential uses for the new "high-temperature" superconductors—first discovered by IBM last year. Cyril Hilsum, GEC's research director, and his senior scientists have been compiling a development programme which will cost £1m a year and require about 20 scientists. GEC has committed £300,000 of its own money and hopes the balance will come from collaborative research proposals currently under discussion with other companies and agencies.

Its research programme is based on Karl Gehring's present perspective of what his company might do with high-temperature superconductors. He has identified three main strands of technological interest:

● Big magnets. Through its Picker medical equipment division, GEC already uses superconducting magnets (made by Oxford Instruments) to generate the high and stable magnetic fields needed for nuclear magnetic resonance (NMR) imaging in medicine. Potentially, such magnets could be cheaper to build and simpler and cheaper for hospitals to use if they worked at higher temperatures (cooled by liquid nitrogen or other substances rather than today's expensive liquid helium).

● Electrical machines. Strength of materials limits the size of fast-rotating machines, such as alternators, to about 1,000 megawatts. It is simply a matter of the expense of stopping them flying apart. Superconductors could allow such machines to use much higher magnetic fields and hence be shorter and slimmer, easing some of the centrifugal constraints on current designs.

● Electronics. Earlier this year Gehring was leading a team of just three, working with a device called the squid, or superconducting quantum interface device. This is an extremely sensitive way of detecting a very weak magnetic field. One important potential use is to try to find submarines hundreds of metres deep in the ocean, from the distortion they cause in the Earth's magnetic field. Another could be a new way of imaging the brain for medical scientists.

High-temperature superconductors could enhance the attraction of several electronics devices, such as the squid. This also applies in principle to superconducting fast switches, millimetric waveguide detectors, and waveguides themselves. There is even the possibility of making superconducting inter-connections for silicon chips and printed circuit boards.

Cyril Hilsum, however, points out that before anyone gets too excited about superconducting electronics, no-one has yet seriously explored the effect of simply cooling silicon to the kind of temperatures now opening for superconductors. It will need a new silicon technology because current amounts of impurity will be wrong for low temperatures. But low-temperature silicon could yield electronic effects no less dramatic than high-temperature superconductors.

Of possible partners to help contribute the other two thirds of GEC's £1m-a-year research programme, the brightest prospect is Oxford Instruments, says Karl Gehring. Oxford already supplies GEC-Picker with big superconducting magnets for its NMR imaging systems.

Another collaboration, into more fundamental properties of these novel materials, is under negotiation with British electronics competitor Plessey, bringing together GEC's Hirst Research Centre and Plessey's Caswell laboratory in Northamptonshire. This collaboration could also involve ICI, the chemicals group where scientists at Runcorn have invented a relatively ductile form of cement, using techniques which may be applicable to superconducting ceramics.

A third collaboration is under discussion between GEC and Britain's Central Electricity Generating Board, for which GEC is proposing investment in a power engineering project concerning generation, transmission or storage of electricity using high-temperature superconductors.

The next step, says Gehring, is for the UK Department of Trade and Industry (DTI) to decide what kind of national programme it wants to muster, and how the proposed GEC collaborations between companies fit into its plans.

In May, GEC Research invited 60 technical directors from other GEC companies to a presentation of the opportunities unfolding for ceramic superconductors organised by Karl Gehring. The company's proposed research programme is based partly on feedback from this presentation, together with its discussions with other companies and the DTI.

As Hilsum sees it, the superconductors discovered by IBM last year, although not in themselves very practical materials, are having a profound effect in rejuvenating research in superconductivity, which had begun to stagnate.

One strand of thinking is along the lines: How, if we found a good ceramic superconductor, would we make it into a magnet? GEC's ceramic expertise in the Stafford laboratories of GEC Research, previously focused on insulators (non-conductors), suddenly became highly relevant. Early in June, Graham Partridge, a scientist in these laboratories, made ceramic tape which proved superconducting at the temperature of liquid air, potentially an extremely convenient coolant.

They were short lengths of tape, "not Sellotape," stresses Hilsum. But he has made Robin Banks, who heads these laboratories, deputy manager of the superconductivity programme and given him the challenge of making both long lengths of such tape and wires.

Meanwhile, GEC's Wembley laboratories have taken responsibility for the materials science—the physics and characterisation of the new materials. "We're trying to raise the temperature but at the same time—and probably just as important for the next year or so—to raise the critical current-carrying capabilities," says Hilsum.

The point here is that, at usefully high current densities, most superconducting materials—not just the new ceramic ones—simply revert to being normal resistive materials. Their superconductivity disappears until the current density is reduced. The same happens if the magnetic field they set up round themselves goes too high. These characteristics have severely cramped the possible applications for the new superconductors.

The materials discovered by IBM are a class of ceramics called perovskites. But ceramics form an ocean of polycrystalline substances previous rejected by superconductor scientists. According to Cyril Hilsum, GEC's scientists have already proposed a dozen or more ideas to be explored: "Some fairly obvious varieties and some completely different approaches."

Hilsum says his scientists have seen signs of superconduction in some of their materials at temperatures as high as 240 degrees K—excitingly close to room temperature.

Tomorrow's Technology Page will look at basic research at Oxford University into understanding the nature of high-temperature superconducting materials.

PUTTING CEREBRAL CONTOURS ONTO THE MEDICAL MAP

A NEW way of letting doctors peer through the skull, using superconductors to generate computer images, is taking shape in the Hirst Research Centre in Wembley, headquarters of GEC Research. It makes contour maps of the brain's magnetic field for medical scientists at St Thomas's Hospital, London, to try to interpret in terms of a patient's health.

The brain is essentially an electrical device, and a by-produce of all electrical devices is the magnetic field set up as currents flow. The beauty of the magnetic imaging process is that the skull is transparent to magnetic forces, whereas it distorts the electrical signals before they can be picked up by detectors placed on top of the head.

GEC scientists, working with specialists in the brain's electrical activity in the electro - encephalography (EEG) department at St Thomas's, have been developing a new way of generating real-time images of the brain at work. "It shows us what there is, rather than what is happening," says Cyril Hilsum, GEC's research director. A tumour, for instance, will be clearly delineated as a zone of inactivity.

The key to magneto-encephalography is a sensor ultrasensitive enough to register anomalies in a magnetic field only about one billionth as strong as the Earth's. In fact says Karl Gehring, manager of GEC's superconductivity research programme, it probably needs 30-40 such sensors spread over the head, to be a medically useful tool.

For the past 18 months he has been experimenting with individual squids (superconducting quantum interface devices) of the kind illustrated. The possibility is now opening of making arrays of squids perhaps 10 per sensor—using films of the new ceramic superconductors, and operating them at a temperature much more convenient to doctors than the current nuclear magnetic resonance (NMR) brain imaging machines which have to be cooled by highly expensive liquid helium.

Case is made for data on the move

PORTABLE DATA Communications (PDC) of Camberley in the UK is offering a battery-driven data communications terminal that works over the cellular radio services that operate in the UK.

The unit, called PDC 25, uses a Racal Vodafone cellular telephone in conjunction with a Gridlite portable computer from Grid Computer Systems of Esher, Surrey. PDC has integrated the whole system into a brief-case-sized unit which can be used to make ordinary phone calls, carry out personal computer work, or send data, all at the same time if necessary.

Optical route for Ordnance Survey

IN BRITAIN, the Ordance Survey is examining the idea of using optical discs to store its accumulated map data, instead of the magnetic tapes used at the moment. Recently it purchased an Optimem optical disc drive and 12 inch discs from Optimem's UK distributor, Quest International Computers.

For some time the Ordnance Survey has been digitising its mapping information and holding it electronically, saving time, money and space.

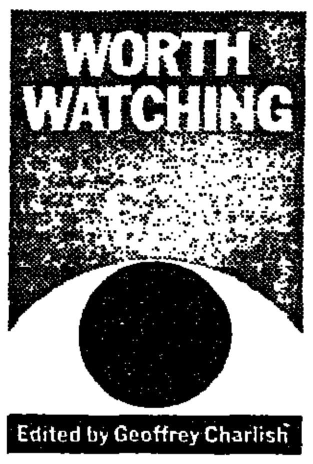
To continually update the maps, it has 1,000 surveyors throughout the UK at 170 field stations. Since each station is responsible for up to 800 maps (electronic equivalent, 200 megabytes or 200m characters of information) a huge amount of data is generated. When all the UK maps are digitised, the total will be over 50 gigabytes (the text equivalent is 50,000m characters).

Bill Duckett, research and development manager at the Ordnance Survey, sees optical discs as a way of cutting his high storage costs, and at the same time making the map data more quickly and conveniently available. A disc can be accessed in a few seconds, whereas a tape has to be completely rewound if the [illegible] record is right at one end.

CAD's personal success story

AUTODESK, of the US, which has achieved remarkable success worldwide with its computer-aided design software for use with personal computers, says that its sales have just passed 100,000 units.

The number of installations of the software, called Autocad, have doubled in a little more than a year. The success of such systems has altered the nature of the CAD market, at one time based on big, expensive computers.



Low-cost publisher from W. H. Smith

A MAJOR UK High Street chain, W. H. Smith, is offering, for under £500, a desk-top publishing system based on the Amstrad PCW personal computer and some programs from Database Software of Stockport.

The software from Database contains editing programs for text, graphics and the complete page, together with extra type founts and a tutorial. The software can be purchased separately for £29.95.

CONTACTS:

Autodesk: UK office, London, 928 0283. Portable Data Communications: UK, 0276 681091. Database Software: UK, 061 429 8008. Quest International Computers: 0703 286321.

CONTRACTS

Gas turbines for North Sea project

Shell UK Exploration and Production has selected Tornado gas turbines built by RUSTON GAS TURBINES — a subsidiary of GEC—for its latest North Sea development. The total contract value is about £6.2m with delivery scheduled for August 1988 to a module yard yet to be specified. Three Ruston Tornado gas turbine generating sets will provide all the electrical power on the Shell/Esso Kittiwake platform, due to start oil production in early 1991. Each Ruston unit, nominally rated at 5.7 MW, will incorporate a GEC Unipak generator, stainless steel enclosure, ducting and filtration systems.

★

HONEYWELL BULL has won a £1.2m contract (subject to full Council approval on July 28) from Great Yarmouth Borough Council for one of its new DPS 7000 computer systems and two DPS 6 minicomputers to provide a total computing facility for the next seven years. They will initially cover financial applications plus office automation and a number of departmental systems, with housing benefits, rents and rates the first to be implemented when the new computers are installed in the last quarter of this year. The intention is that the new computing facilities, while providing a basis *for the present and future needs*, will enable an increasingly improved level of service to be made available to the public. The DPS 7000 mainframe computer was introduced by Honeywell Bull worldwide last April. It will provide the central computing power for, initially, some 60 end-users with office automation and planning applications running on the DPS 6 systems. Honeywell Bull's open systems interconnection facilities (DSA) will provide full integration between the three computers.

★

Another Scottish stake in the Channel Tunnel project has been agreed. Cranemakers J. H. CARRUTHERS AND COMPANY is to provide 16 Goliath (portal) cranes, worth more than £1.5m for a concrete-section storage stockyard on the Isle of Grain. Work on the first batch of the Monobox Goliath cranes is already under way with the first cranes due on site in August. The cranes, of 170 ft span, are designed to operate at high speed up to 24 hours a day for the four-year construction period of the Tunnel project.

★

ICL has received orders for Series 39 based information systems totalling £2m from four Local Authorities in the north west of England. Preston Borough Council and Lancaster *City Council, both users of ICL* ME29 Model 54 computers, have ordered the Series 39 Level 35. Wyre Borough Council and Hyndburn Borough Council, who use smaller ME29 machines, have ordered Series 39 Levels 35 and 25 respectively.

★

ALLEN-FOX CONSTRUCTION, a member of the Wigan-based Allen Group, has won orders worth £8m. They include a design and build contract for new showrooms and workshops for Bradshaws Motor House at Preston, value 1.5m; hotel bedroom extensions to Holland Hall Hotel at Upholland, value £300,000; and building extensions to the structural integrity centre at Risley for UKAEA worth around £1m.

★

The Halesowen branch of SULZER (UK) BUILDING SERVICES has been awarded a £1m *contract by West Midlands* Regional Health Authority for the installation of mechanical services in a new building to house a psycho-geriatric unit at Edward Street Hospital in West Bromwich. It is a three-storey building in the form of three wings abutting a central core. The work includes installation of heating, ventilation, piped services, cook-chill kitchen and boiler house. The heating system consists of low-pressure, hot-water radiators served from a gas-fired boiler plant on the second floor. Completion is scheduled for December 1988.

★

COSTAIN CONSTRUCTION, part of Costain Group's UK building division, has been awarded a contract by MEPC (Tunbridge Wells) to construct a 10-level multi-storey car park on Meadow Road, Tunbridge Wells, Kent, believed to be worth in the *region of £2.8m. The car park* will be constructed with precast reinforced concrete frame and precast reinforced concrete, double tee-beam suspended floors and ramps, overlain by an in-situ concrete deck. The whole structure is supported on cast in-situ reinforced concrete pad foundations, retaining walls and ground bearing slabs. Associated highway works consist of widening and realignment of surrounding public roads and footpaths to form a gyratory system complete with automatic traffic signals. Diversion of statutory services will be necessary during this work. The project is scheduled for completion in April 1988.

★

Barclaycard, the major UK Visa credit card issuer and the first user of RACAL-TRANSCOM'S electronic funds transfer at point-of-sale (EFTPOS) terminal TCL200, has ordered a further quantity of these units worth £1.95m. The contract, which follows earlier orders for 2,100 terminals, will see the units placed in a variety of retail outlets throughout the UK. A further boost to sales is expected later in the year when Barclaycard plans to expand its network of PDQ (Process Data Quickly) terminals, by purchasing a further quantity of TCLs worth almost £3m. A recent agreement between the three largest card issuers, Visa, Access and American Express, allows all three cards to be processed through the PDQ system—which is already installed in over 600 outlets countrywide.

In operation, the retailer enters the value of the sale on the TCL200 terminal, selects the *method of payment* and wipes the customer's card through the integral card reader. The terminal communicates automatically with the appropriate card company and begins printing a receipt. The customer confirms the transaction either by signing the receipt, or keying in their personal identification number (PIN) on the attached PIN pad. On completion of the transaction the customer is given the top copy of the receipt as a record instead of the more familiar voucher.

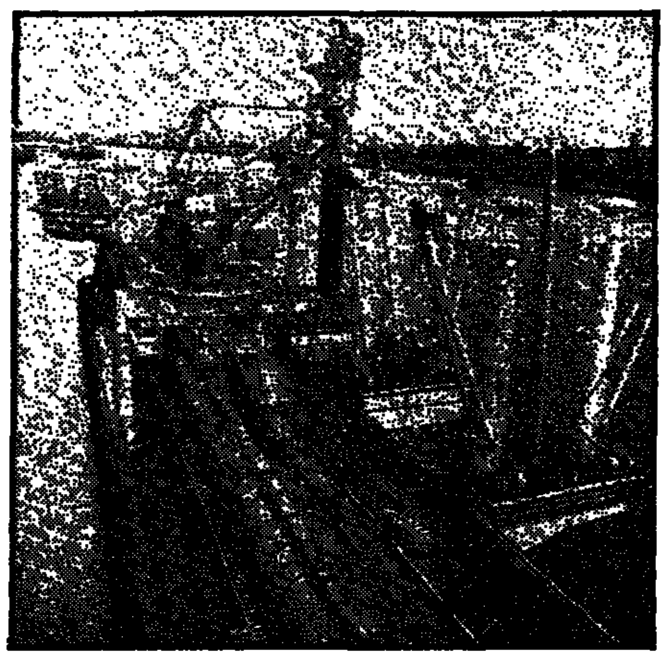
★

Four orders totalling more than £475,000 have been won by the DEXION plant in Gainsborough. The equipment being supplied includes pallet and accumulation conveyors as well as transfer and transportation vehicles. The customers represent some of the top names in UK manufacturing industry: Kodak, Mitsubishi, Fasson Adhesives and Imperial Tobacco. A £250,000 automated "work-in-progress" store is being built for Fasson Adhesives. A simple storage and retrieval *machine will carry rolls of adhe*sive paper up to 3.2 metres long and weighing up to 4 tonnes. Kodak of Hemel Hempstead has given an order worth £172,000. It is for the design, installation and commissioning of a Dexion pallet and accumulation conveyor network which will include a new picking line. The installation is designed to improve product flow through the company's central distribution warehouse.

★

Reading-based DELBY SERVICES has won a contract for mechanical and electrical work at the Olympia Exhibition Centre, London. It is one of several orders, together worth more than £1.85m, the company has received since April. Delby has also won contracts for Debenhams stores in Bristol, Cardiff, Salisbury, Northampton and Southampton. Office blocks at 36-38 Botolph Lane, London, *EC1 and 64 London Road*, Reading, plus contracts from Lloyds Bank and Racal have also boosted the order book.

Shipunloader for coal



PHB WESERHUTTE LTD, UK subsidiary of PHB Weserhutte AG of West Germany, has been awarded its latest order for a continuous shipunloader for coal. The order, worth about £2m, has been placed by Northern Ireland *Electricity for Kilroot power* station coal/oil conversion and is for a machine capable of discharging about 800,000 tonnes/annum of coal from ships up to 5,000 dwt at a maximum unloading rate of 1100 tonnes/hour. The machine will be designed by PWH in Germany with the major part of the supply coming from the UK and it will be com*missioned in May 1988.* The photograph shows a similar machine installed last year at Tate & Lyle Thames refinery jetty for unloading raw sugar.

Geophysical surveying

The new management buyout company, ROBERTSON GEOLOGGING has been awarded a two-year geologging contract with the British Coal Corporation Opencast Executive for work in England and Scotland. The job, worth about £1m, involves the geophysical surveying of shallow boreholes in coal exploration areas which help to establish the reserves of coal suitable for surface mining. Robertson Geologging is principally owned by Dr A. J. Wright and Dr D. N. Merton-Lyn and is a supplier of borehole logging technology to world markets in water resource management, coal and mineral exploration, and civil engineering applications.

★

The continuing commitment by British Steel to enhancing the computer control of its plants in the UK is reflected in the two latest contracts awarded to FERRANTI for process control computing at BSC General Steel's Scunthorpe works. The two orders, totalling almost *£600,000* have been placed with the Wythenshawe division for its successful process management system (PMS) control package. The largest system, valued at £500,000, will provide direct computer control and monitoring of the two strands of the sinter plant, using two PMS 60 systems linked by standard distributed PMS software. This will give shift operators and managers all the necessary control facilities to enable them to run the plant from one centralised control room and provide supervisory control over Schenk weighing equipment. At more than £34,000, the second order for BSC at Scunthorpe is for a *PMS 30 package to provide con*trol of the coal preparation plant.

APPOINTMENTS

British Gas regional chairmen

Three BRITISH GAS regional chairmen are retiring from their posts in the near future. British Gas has made the following changes in its regional chairmen and deputy chairmen: Mr D. H. Fisher will retire as regional chairman, British Gas Wales, on August 21. Mr G. H. Langshaw, regional deputy chairman, British Gas North Western, will become regional chairman, British Gas Wales, on August 22. Mr D. H. Griffiths will retire as regional chairman, British Gas Eastern, on October 29. Mr G. Eccles, who is currently the regional deputy chairman, will become regional chairman on October 30. Mr J. Gadd will retire as regional chairman, British Gas North Thames, on January 21 1988. Mr A. A. Dove, regional chairman, British Gas South Eastern, will become regional chairman, British Gas North Thames, on February 1 1988. Mr A. G. McKay, regional deputy chairman, British Gas East Midlands, will become regional deputy chairman, British Gas North Thames, in mid-August. Mr D. G. Wells, regional deputy chairman, British Gas West Midlands, will become regional chairman, British Gas South Eastern, on February 1 1988.

★

DURACELL UK has appointed Mr Mark Gerken as director of trading. He joined Duracell UK in 1980.

★

VINERS CUTLERY has appointed Mr Les Dyson as sales and marketing director. Mr Dyson, who previously controlled all UK sales of Sodastream, the Cadbury-Schweppes subsidiary, joins the company on August 3.

★

OSCA COMMUNICATIONS, the central management and marketing company of the OSCA Group, has appointed Mr William Gordon as managing director of its consultancy division. He was a senior manager at the MAC Group.

★

Mr J. R. Christie has been appointed chief executive of HICKSON WORLD TIMBER and executive vice-president of Hickson USA Corp. He will be responsible for the worldwide activities of the timber protection division of Hickson International. Mr Christie was manager of planning and financial strategies with Atlantic Richfield Company in the US.

★

ANGLO & OVERSEAS TRUST has appointed Mr W. N. Scott to the board.

★

Mr J. L. Parrott of Prudential Portfolio Managers has been elected deputy chairman of the *SOCIETY OF INVESTMENT* ANALYSTS and will become chairman in December when Mr E. K. Ford of Morgan Grenfell Securities Holdings completes his two-year term of office. Mr A. H. (Tony) Newman, secretary of the Society has been appointed to the new post of secretary general and Mr P. A. Hewitt has been appointed assistant secretary.

★

Mr Richard Banks has been appointed general manager, GIROBANK north east region, in succession to Mr Brian Emmott

Mr Richard Banks, general manager, Girobank north east region

from August 3. Mr Banks joins from Midland Bank, where he was corporate finance executive in the Cannon Street office. Mr Emmott continues as Girobank's senior general manager until December, when, at the request of Business in the Community, he will be seconded to the Bradford Enterprise Agency as lead director.

★

NORTH ATLANTIC SECURITIES CORP. has appointed Mr M. W. R. Dobson to the board. Mr J. H. L. Norton has resigned from the board.

★

MACDONALD MARTIN DISTILLERIES has appointed Mr James H. Fyfe to the board as *financial director. He joins from* the Suits Group where he was deputy managing director and group financial director.

★

STOY HAYWARD has appointed Mr Carl Williams as a partner in the London office.

★

At JETIN INDUSTRIAL, Mr James Haslam become managing director and chief executive, Mr Peter Matthews has been appointed engineering director and Mr Andrew Currie is financial manager and company secretary.

★

Mr Hans Fontein has resigned as managing director of EBC AMRO BANK, London, to join Deutsche Bank Capital Markets. Mr Maarten H. Reuchlin has been appointed as managing director of EBC Amro Bank in overall charge of the bank's securities. Mr Reuchlin has worked at Amro Bank for 15 years. Most recently, he was executive vice president in charge of the institutional banking division in Amsterdam, prior to which he ran the capital markets group for three years.

★

Mr Alan Lewis has been appointed deputy managing director of DATASURE. He has been a member of the board since the company was formed in 1979.

★

J. H. MINET & CO. has appointed Mr Mike Ellis as deputy managing director of the aviation division.

★

TUNGSRAM LIGHTING has appointed Mr John M. Bennett as sales and marketing director.

★

Mr Stephen Passmore has been made a director of PASSMORE INTERNATIONAL with special responsibility for Ambassador Postal Services.

★

Mr Michael W. Haden has become managing director of HOTFOIL, Wolverhampton-based subsidiary of Deritend. He was previously president of Deritend-Hotfoil Inc, which he established in 1982.

★

Mr Richard Mathews has been appointed executive director of the SCANDINAVIAN BANK GROUP in charge of treasury sales, a newly-created post. Mr Mathews joined from Merrill Lynch in London where he was head of institutional sales for foreign exchange and treasury products.

★

At THE MOORGATE GROUP Mr Tony Croasdale has joined its actuarial and strategic marketing consultancy, Moorgate Product Development, as a director. He was previously with Swiss Reinsurance (UK).

★

TOKYO PACIFIC HOLDINGS has formed a new investment advisory company, TPH Advisers. Dr Bernard Key, who has been appointed president of TPH Advisers, will have the principal investment advisory responsibility within that company.

★

Mr Colin Brown has been appointed director of audit and accounting services at PRICE WATERHOUSE. Mr Brown joined Price Waterhouse in 1958, participated in the firm's international exchange programme to Australia in 1961, and became a partner in 1966. He is also a partner in Price Waterhouse and Partners (international financial advisers) and Price Waterhouse China.

FINANCIAL TIMES SURVEY

The commercial power of design is still being ignored by large numbers of UK businesses. Yet the consultancies are flourishing as retailers, banks and many companies in other fields rush to embrace these techniques to bolster their market presence and boost sales. Christopher Lorenz reports.

A drive against complacency

IT SEEMS a puzzling paradox. British business has been exposed to a constant barrage of publicity, cajolement and advice over the past five years about the importance of design, and there has been a boom in the use of design consultants by retailers, banks and other newly customer-conscious service organisations.

The stock market has responded by pouring in funds for many a design firm to go public. Yet much of British industry either remains blind to design's commercial power, or is wildly complacent about its own design performance.

Though 1,500 companies a year are now making use of the Government's Support and Design consultancy scheme, at an annual public cost of £7m, manufacturing industry as a whole has yet to grasp the message.

In the words of Simon Hornby, the rumbustious and controversial new chairman of the government-backed Design Council: "The penny still hasn't dropped. So far, it's been more a matter of a farthing falling into a very small pool."

Consider the evidence. Over the past decade Britain has slipped towards and finally into a trade deficit in manufactured goods, primarily because it does not make enough of the sort of products that people really want. Instead, consumers flock to buy better-designed, more reliable products from abroad, even if they have to pay more for them.

At a generalised level, this creates universal alarm. But when the Design Council questioned top managers at 200 manufacturing companies last year, it unearthed almost precisely the same imbalance between concern and complacency that the Department of Industry had identified back in 1983.

More than two thirds of the managers said they thought Britain was "insufficiently design-conscious," yet even more of them (76 per cent) claimed that their own company "pays sufficient attention to design." It was all the other person's fault, in other words.

A few months ago the crestfallen council, which has been trying to promote design to industry for four decades, went back again with a combined survey and awareness campaign to 1,500 companies in three sectors—furniture, footwear and medical equipment. This time it at last received a more realistic response: only just over half the respondents thought their companies were doing enough.

The reasons why manufacturers lag so far behind retailers, airlines, "Big Bang" operators—and much of the public—in getting the message about design lie with at least four constituencies: manufacturers themselves, the education system, the design business and accompanying lobby groups, and the media.

Remedial action is being taken on most of these fronts, with financial and other support from the Prime Minister's office, Whitehall and such bodies as the Confederation of British Industry. But there is still a long way to go before UK manufacturers become as innately design-conscious, and design-capable, as their West German, Italian and Japanese competitors.

One, very public, problem is the frequent trivialisation of design: the tendency of the media, some retailers and even a few consultants to treat design as mere aesthetics, rather than as a complex spectrum spanning both form and function.

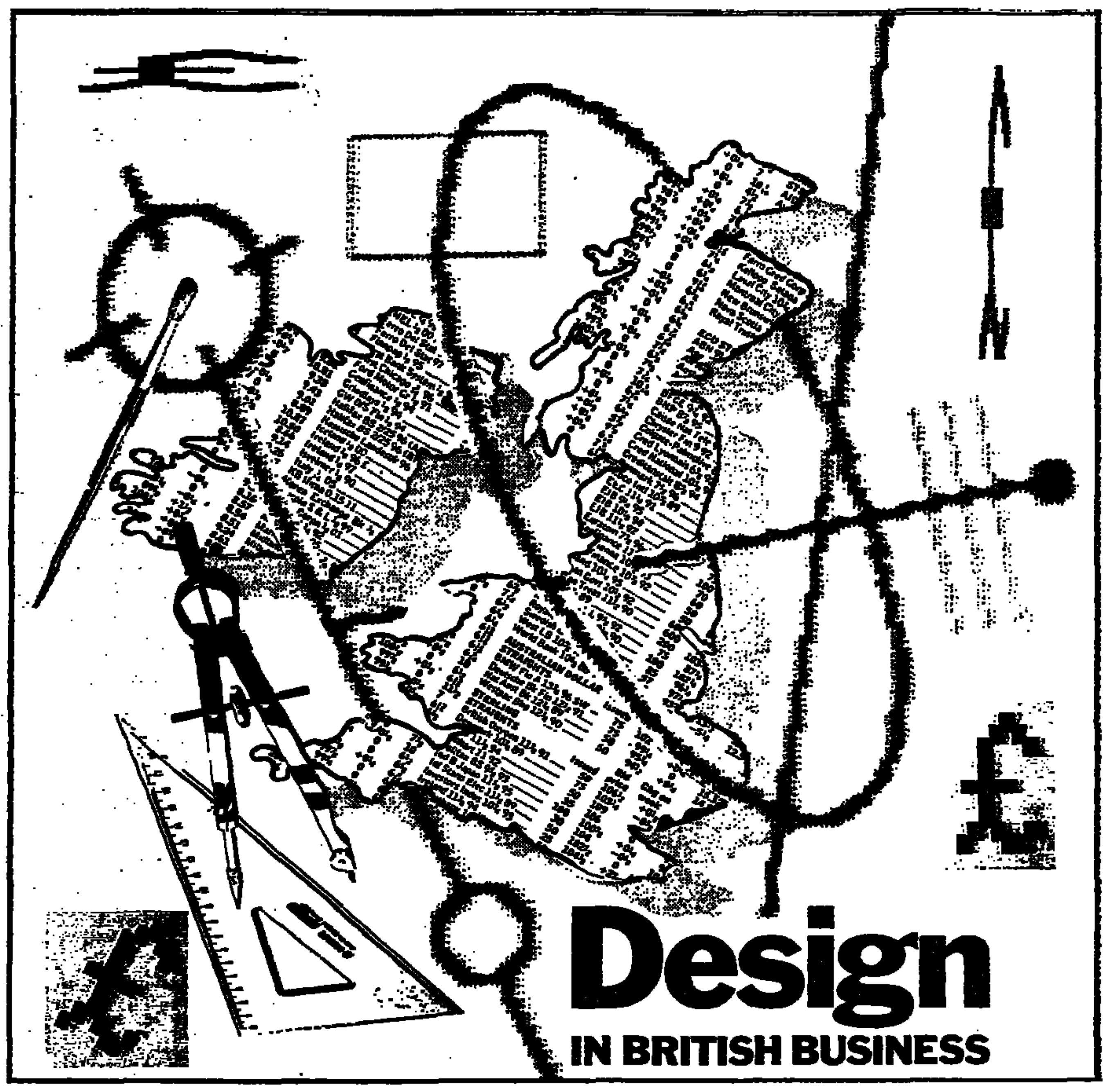
Last month's much-trumpeted BBC-TV Design Awards, which generated a remarkably large and enthusiastic public response, fell into this trap, notably with a much-underrated microlight aircraft: a brilliant and attractive piece of innovative engineering, it was wrongly written off by the judges as having almost "designed itself" because of its streamlined function.

Nor does all the media hype about designer fashions (and even "designer stubble") exactly encourage hard-bitten makers of engineering-based products to take design seriously. For them, it would be better to replace the word with the more convincing term "product design and development." The Design Council is showing signs of moving in this direction.

Whether next year's drive by the council to promote engineering design will help matters remains to be seen. A glamorous campaign in favour of the unglamorous (and often under-educated) forgotten brethren of the design profession is long overdue, but a focused effort of this kind may risk reinforcing the widespread view that design and development are divisible into specialist activities, rather than forming an integrated whole.

This is the heart of the paradox, and also its explanation: that, while skin-deep design can be grafted, with a measure of success, on to the sales, promotional (and architectural) activities of a retail chain, a bank, or an airline, such an application brings little benefit to a manufacturer.

Ideally, of course, design should not be used so superficially even in a service organisation: a new shopfront, or a glossy new logo, create less added value on their own than if they are accompanied by a total redesign of the products and services which the organisation offers.



Paul Allen

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Yet the fact remains that, in service organisations, a design conversion on the part of top management and the marketing department may be enough to enable them to start using outside design resources to reasonable effect.

In a manufacturing company, it is a more complex matter altogether. Design, if it is to be at all effective, must become integrated into almost every aspect of the company's organisation, at several levels. Yet, as every manager knows, injecting a new dimension of thinking and activity into a wide set of line functions is a difficult proposition.

It becomes positively daunting when, as in the case of design, the new element not only bridges those specialist functions, but requires the removal of traditional barriers between them before it can have a real impact.

As this newspaper's just-concluded series on "The Product Race" has shown (Management Page, Friday July 17), there must be increasingly close integration between a wide range of functions if companies are to remain competitive in today's fast-moving markets. Ford, Philips and other multinationals which have recognised this, along with the need to upgrade design, have taken five to seven years to show any real results.

For those companies just starting to get the design message, and to decide how to implement it in practical terms, there are far too few role models, and inadequate training resources. As Keith Grant, director of the Design Council, puts it: "The ability to grapple with the problem hasn't caught up with its urgency."

Despite the pioneering efforts of the London Business School's Design Management Unit, and subsequent initiatives by Manchester Business School and half a dozen polytechnics—most of them supported in one way or another by Whitehall—there is a paucity of education programmes from which managers can learn about design in even the most general terms.

When it comes to detailed advice on how actually to introduce an effective design management process, the dearth is still greater, though both the Design Council and the Engineering Council provide various materials.

As Simon Hornby told an LBS seminar in June: "Although many excellent things are being done, progress is far, far too slow."

On the other side of the equation—giving designers a better appreciation of commercial realities so that they become more effective members of a management team—rather more is being accomplished, and more quickly. Already-qualified designers are learning the hard way, through their consultancy work, while the Royal College of Art and many other institutions now insist that business management should feature in all design courses. Depth is still often lacking, however.

A wide range of initiatives has also been launched over the past two years to introduce more design students to industry, and give them more practical experience. These include a national degree show for interior designers, and a broader Royal Society of Arts scheme for placing "Young Designers into Industry." But far too few companies are ready to co-operate with such schemes.*

In one sense, the gap between design and industry will never really be closed until design is as much part of the British culture as it is in Italy or (less noisily) in Germany and Japan. But this will take a generation, at least, of much more design education in schools, universities and colleges.

In the meantime, many of the Design Council's critics continue to argue that, in order to be more effective at influencing education and industry, it should be allowed to drop its third remit of "educating the public," whose design awareness has grown sharply in recent years thanks to the quality of imports and to the design boom in retailing.

Though the council feels that some public work remains to be done—it administered the BBC-TV awards, for instance—it is understood that it will indeed be putting less relative emphasis on consumer-orientated activities over the next few years.

Simon Hornby has already declared the need for the council to raise its profile with industry and become more outspoken, condemning bad design as well as commending the good.

Whether this role is reconcilable with effective behind-the-scenes persuasion and legwork is debatable. But only if the council becomes more polemical—and links its message with the need for better marketing—will its voice strongly be perceptible to the general public.

**An advisory booklet is available from the Design Council.*

The consultancies

Buoyant demand for expertise

DESIGN CONSULTANCY is definitely growing up, in both size and structure.

During the past year quoted design consultancies have seen one new flotation (BBB Design in late 1986); one absorption (Addison Consultancy acquiring Aidcom International); and one creation (almost God-like) through the highly acquisitive development of the WPP Group under the direction of Martin Sorrell, the ex-Group Finance Director of Saatchi & Saatchi.

The sector is still very buoyant, with calculations of annual growth ranging from 30to 40 per cent. Fitch & Co estimates that the design market was worth about £220m last year, but this excludes engineering and architectural design.

WPP Group puts the size of the whole market around £400-500m, while Fitch estimates that including engineering and architectural work, the market is worth £1bn.

Within Fitch's estimate of £220m fee income, the design market breaks down into four categories: print and graphics (including corporate identity work and packaging), £30m; products and furniture, £40m; offices including interior design, £30m; and retail, travel and leisure, £120m.

The biggest category, retail, is an area where design has to prove itself commercially on a daily basis. Multiples have concentrated on a smaller number of product ranges while retail square footage continues to increase with a continuation of out of town developments.

This has had an interesting effect: "The high street multiples are vulnerable to nichemanship in the high street on one side and lower-cost out of town developments on the other," states Bill Webb, retail marketing director at Fitch & Co. Special retailing, often in smaller square footage units, is growing in the high street.

The continual change in the retail scene, aided and abetted by the wave of take-over activity between 1984 and 1986, has led to buoyant demand for design consultancy. Will the wave of designs and re-designs, most usually involving structural refurbishments, now die down and leave only a core level of activity?

The feeling is that although there may be a period when lower cost graphic refurbishments lengthen the period between structural ones, the pace of change in the market, together with the growth of the travel and leisure design areas, will produce a continuing expansion of the market.

In addition, retail design consultancies, according to Stewart McColl of McColl, are becoming more and more involved in architectural aspects of retail developments.

The office and interior design sector,meanwhile, is more closely allied to the architectural market. Here, there are equally healthy signs. The trend towards developers providing basic building shells and leaving interior design and refurbishment more and more to the tenant has fuelled growth in the office interiors market, according to Brian Henderson of architects YRM.

Thanks to the need for increasing customisation of buildings to suit the occupiers' needs — as in the financial community post Big Bang—and the growth in refurbishment of existing buildings due to faster obsolescence, the signs for future growth are very encouraging.

The spend of £30m in print graphics appears quite low for a sector that includes corporate identity and packaging design. Corporate identity is currently the most international and also cerebral sector of the design market. John Braddell, director in charge of design at the WCRS Group, calls it "visual strategy consultancy." There is enormous scope for further growth, according to Wally Olins, of Wolff Olins, owing to an increasing intensity of competition between a much wider band of multi-national companies, and the recognition by corporations in emerging countries of the importance of corporate identity.

Corporate identity in the UK, however, is felt to be less sophisticated, but still growing as new areas, particularly financial services, substantially increase their usage of corporate identity consultancy.

The packaging design market, meanwhile, has been invigorated by the intense activity of own label work for multiple retailers. Own label retailers have been more adventurous in testing out new packaging design and container concepts, and much work has been carried out on the technology of packing. According to Michael Peters, own label work is about 25 per cent of the packaging design market, compared to only a few per cent in the US. US retailers, however, are beginning to realise the opportunities, and generally the US has shown great enthusiasm for British design.

Own label work is recognised to be adventurous and innovative, but tending towards the fashion side of design. Nevertheless, both Smith & Milton and Michael Peters recognise that the level of own label activity has brought about retaliation from the big brands, who are now relaunching products through a greater emphasis on a product's main strengths (such as the Dulux dog in the case of ICI paints). Indeed Howard Milton of Smith & Milton feels that the visual aspects of design have now been completely subordinated to the basic brand image, as a mini-advertising strategy. This represents almost a complete reversion to the 1960s.

For the future, Michael Peters predicts that the packaging life cycle may foreshorten so much that manufacturers will in future review their design annually. Richard Head, of Siebert/Head, adds that more and more companies are allocating part of their marketing budget to packaging design on a regular basis.

Greater sophistication is coming into all areas of corporate identity, packaging and retail design. Both Michael Peters and Smith & Milton have hired dedicated planners, both from well regarded advertising agencies. Michael Peters has also introduced two new client services; Diagnost-a-pack in packaging research, and Future Positives, which works with economic forecasting centres to predict design and technological trends for the future.

Another fast-growing sector of the graphics market is corporate literature and financial reports, aided by a growing recognition of the importance of relationships with investors. Altogether, the print graphics market place has a bright future.

The sleeping giant of the industry is product design, which remains very much linked to the health of British industry. "The market is quite patchy," says Ray Wilson of Crisp & Wilson, "with areas such as white goods, cycles and toys in decline, while other areas, such as high technology/electronics are growing fast." Areas such as white goods and small appliances have been regrouping, and could re-emerge as big users of product design in the near future.

Product design, however, is still the poor cousin, and is notable by its absence in many multi-disciplinary practices. The potential for the future could, again, be significant, particularly on an international basis. Both exporters from Britain, and overseas companies entering the UK market, are beginning to look more at product design, and many overseas companies are also interested in using British design expertise within their own markets.

Performance of the quoted companies

	Design Activities	USM/ Fully listed	Turn-over (£m)	Market Cap (£m)	Price (p)	PE	Yield (%)	1 mnth	3 mnths	12 mnths
Design Consultancies										
Addison Consultancy	Multidisciplined	Full	85.4	92.5	187	17.8x	2.1	−6	−7	−21
BBB Design	Graphics	USM	1.9	7.5	91	22.5x	1.5	+10	−1	N/A
Craton, Lodge Knight	New Product Development	USM	3.4	7.6	136	21.2x	2.2	+21	+20	−6
Fitch & Co.	Retail/Corporate Id	Full	10.2	20.3	397	17.7x	2.4	−11	−10	−36
Holmes & Marchant	Graphics and packaging	Full	7.7	43.3	443	31.4x	1.0	+5	+2	−11
John Michael Design	Retail and graphics	USM	1.3	7.2	87	21.3x	1.9	−9	−3	−17
Michael Peters	Multidisciplined	USM	8.9	10.6	150	23.1x	2.4	−7	−13	−34
WPP Group	Multidisciplined	Full	23.7	123.1	1,000	75.2x	0.4	−12	−9	+53
Building Design Companies										
D. Y. Davies	Architecture, etc	USM	5.7	12.8	243	25.9x	—	−2	−10	−20
Tribble Harris Li	Architecture, etc	USM	*14.7	22.1	177	29.7x	—	Launched at 112p		
Whinney Mackay-Lewis	Architecture, etc	USM	3.8	13.0	290	17.8x	—	+10	+26	N/A
YRM	Architecture, etc	Full	8.4	20.1	167	**19.6x	—	+2	N/A	N/A

* In dollars. ** Forecast. Historic performances courtesy of Datastream.

Nevertheless, from the City point of view, the performance of the sector in share price terms over the last year has been patchy. The reasons for this are two-fold: managements of most design consultancies still lack breadth and depth, and a fast proliferation of quoted companies in the sector in 1985-86 had a dampening effect on PE ratings in the 18-month period to December 1986.

Since the end of the year, however, the formation of an agencies sub-sector in the FT Actuaries All-Share Index has created a lot of interest among investors amid an overall strong market background.

So what is the design industry doing to gain respect? Well, we have seen a marginal awakening of the industry in its need to market itself. The formation of the Design Business Group, and indeed the start-up of Design Week magazine are both positive moves in providing a commercial cutting edge to the industry.

Design consultancies themselves are learning more. After discovering the marketing director function, account handlers, consultants and planners are now becoming part of the fabric of a few design consultancies. Three of the larger ones, Addison, Fitch and WPP Group, have also developed the strategy function, two through the appointment of group development directors at board level.

The architectural interior design sector is also beginning to take off from a City viewpoint, with four flotations in the last year following the relaxation of governing body rules on public flotation. The link between design groups and architectural practices is also becoming much closer; retail design gives architects more of a commercial edge while architects give retail design more acceptability.

McColl and Covell Matthews Wheatley however, have failed to reach agreement on a merger, although McColl has developed a strong in-house architectural division itself.

The time for an integral design service to clients may also soon be upon us. John Braddell of WCRS feels that there is an increase in multi-disciplinary design practices, and that there is an ability to cross-refer business between specialists. Corporate identity, however, may be the leading edge of such a practice in the future, since it consistently has access to the board level of client companies.

The international arena has huge potential, and it could be that on a base of high creativity and cost efficient access to capital markets, the UK becomes the springboard for international expansion in design. No real US invasion of the world has taken place in design, but the logic for global co-ordination of design is almost as great as in advertising. So far WPP Group has made two acquisitions in the US in retail and packaging design. The WCRS Group, meanwhile, sees a lot of scope for transfer of skills from the UK to overseas, and has acquired or set up design subsidiaries in the UK, US and Australia. Finally, Michael Peters has hired James Benson to help its expansion into the US and Fitch & Co is meant to be closely eyeing up the market.

Future expansion of this sector in the UK is almost certain; McColl should float in autumn 1987 or during 1988 despite the failure to agree an architectural merger and losing Top Man back to Fitch & Co. There are also rumours of the imminent flotation of a fifth architect.

Neil Blackley

Neil Blackley is consultancies analyst at James Capel.

Office design

A necessity not a luxury

THE RAPID introduction of information technology into the office has transformed office design. Designers traditionally have had a difficult job convincing hard-nosed clients about the benefits of a well-designed office.

There is still no way of proving increased productivity or staff satisfaction as a result of improved office design, despite valiant research efforts by office furniture manufacturers and the designers themselves. But information technology provided a new justification for design in the office.

The multiplication of wires, the build-up of heat, the dangers of static electricity to valuable electronic data, the difficulties of sitting in front of a VDU screen for many hours, have all meant that design is no longer a luxury for many organisations, but a necessity. If the office environment was not designed to suit both people and machines, a potentially catastrophic breakdown of normal work was threatened.

In the early 1980s the practical problems posed by new technology dominated office design. New lighting techniques, notably the use of indirect light, were developed to reduce glare on computer screens. Vastly increased air-conditioning capacity was demanded by the heat pouring out of the new machines.

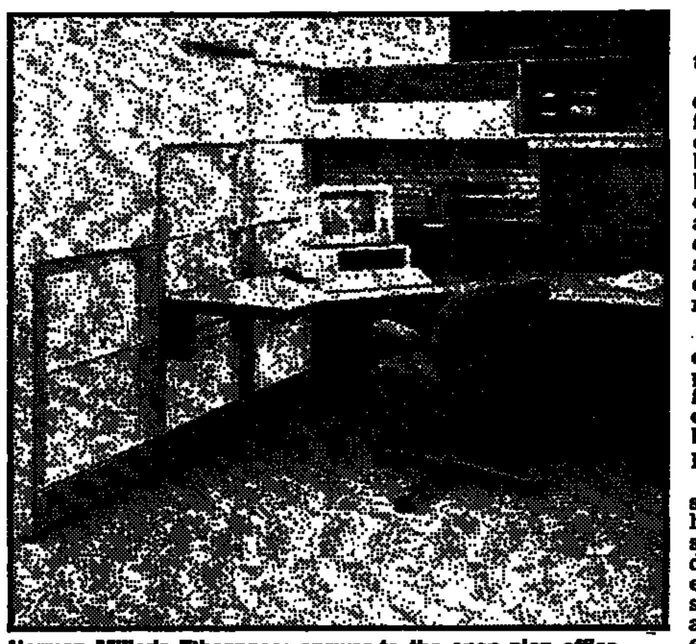
The ability to run cables to workstations without exposed runs that people could trip over, and without causing damaging interference between cables, demanded solutions both on individual floors within a building and between floors.

The sheer bulk of cables and ducting running through a building meant that many developments from the property heyday of the 1960s were simply inadequate for the new demands by many office users. The ORBIT report, a 1983 study by designers DEGW, technology consultants Eosys and Building Use Studies, on the impact of information technology on buildings, concluded that the cost of refurbishing these older structures was such that constructing office buildings from scratch was a more economical solution.

But no observers in the early 1980s predicted the sheer scale of the demands information technology now pose for buildings, particularly for leading-edge users such as the financial institutions in the City. The prime requirement is space to handle the cabling and ventilation ducts: raised floors, once used exclusively in dedicated computer rooms, have become a commonplace in the last two years in City office developments as one of the most adaptable means of running cables.

And the race among property developers to keep up with user demand has come to resemble the arms race: if London Bridge City has 3.8m floor-to-floor height, then Broadgate must have more, and Canary Wharf must top that.

Much of the change in City offices has been fuelled by the demand for large dealing rooms, with their particularly heavy concentration of information technology. But some of the early predictions about the looming obsolescence of older City office stock have been proved wrong by the move of secondary users—accountants, solicitors and other professional services—into the space vacated by banks and brokers. With more modest technological demands at present, the refurbished space in 1960s or older blocks has provide adequate.



Herman Miller's Ethospace: answer to the open plan office.

But office designers have not been wholly preoccupied with technological concerns. The last great wave of office design, in the 1960s, was dominated by the idea of Bürolandschaft, or office landscape, developed in Germany in the late 1950s. Large open spaces, with lightweight movable screens as dividers and furniture arranged according to patterns of communication and paperflow, characterised the Bürolandschaft office.

Improved communications, greater office democracy and better environmental standards were the promised benefits of the office landscape. Office workers, however, frequently expressed dissatisfaction with the noisy open spaces and their lack of privacy and status, particularly in the watered down versions peddled as often by furniture manufacturers as by designers.

The widespread reaction against the open plan office, coupled with the understanding that wholly cellular offices hampered communication, led designers to seek new methods of planning. The combi-office, with origins in Sweden, uses very small cellular offices as private workspaces, combined with extensive communal facilities—meeting rooms, computers, informal discussion areas. In Britain, Norsk Data has been among the companies to experiment with the combi-office.

Furniture manufacturers, too, responded to the criticisms. Reflecting on the influence of the manufacturers, London-based office designer Terry Trickett says: "Once you choose the furniture, you've chosen the layout."

However, a number of manufacturers have attempted to restore some freedom to the designers. Herman Miller, which invented office systems furniture with its Action Office range in 1966, has introduced Ethospace, which its designer Bill Stumpf claims embodies an anti-systems approach. Ethospace uses wall frames with tile-like clip-on panels, which allow both designers and users to vary layouts and individual workstation arrangements.

For all the changes in technology, and approaches to layout or furniture, the most important change for office design has been the slow shift in attitudes by both clients and users. Coopers and Lybrand recently cited as a reason for the high standards of its new offices the advantage an attractive environment would give it in recruiting new staff.

Although few clients would claim a good environment as a principal benefit for workers, for the first time many are recognising it as an important benefit, along with salary and professional opportunities.

And the increasing professionalisation of office workers has meant the office users themselves are becoming far more demanding about their working environment. In Germany, consistently the leaders in terms of attitudes towards the office environment, design issues, including space and ergonomic standards, lighting and furniture selection, have long been a matter for discussion between management, staff and designers.

In the UK, all the leading office designers believe that encouraging the user to participate in the design process is a key to achieving a better office environment.

Lance Knobel

Lance Knobel is the former editor of Designers Journal.

DESIGN IN BRITISH BUSINESS 3

Corporate identity: **Steve Braidwood** looks at Courtaulds and **Feona McEwan** analyses what is often a company's most important asset.

Part of a long-term strategy

COURTAULDS

WHEN A manufacturing group the size of Courtaulds starts to make conscious and bold use of graphics as an integral part of its long-term strategy, it is a sign that corporate identity is at last graduating from its old status in industry as a "quick fix" gimmick for sales promotion.

Rather than just using corporate communications to give support to its consumer brands, to promote its operations graphically at headquarters level, or to impress the financial community, Courtaulds is using its new communications strategy to build on and enhance a fundamental change in the way it goes about its business.

Sir Christopher Hogg, Courtaulds chairman, says: "The challenge is to come to terms with seeing yourself as others see you. It is the most painful thing anyone has to do. If you can do that, and act on what you get back, that is what improvement is all about."

In recent years changes at Courtaulds have gone largely unnoticed. It has continued to be seen as an old-fashioned production-led fibres and textiles company, when in fact it has become a more outward-looking organisation operating in several industrial sectors, some of them highly innovative.

After discussions with a number of consultants, Courtaulds appointed Lloyd Northover, a leading firm of graphic designers, in October 1985, to research the effectiveness of its existing identity and communications, and to make recommendations for improvements.

The research project was extensive. Courtaulds is made up of 76 companies in 26 countries. The brief called for answers to questions not commonly tackled by designers such as: "Is Courtaulds thinking and acting as a cohesive group?" and "Does it have a shared culture, or is it simply a collection of independent stand-alone businesses?"

Faced with this task, Lloyd Northover invited two management consultancies, Alan Bristow Associates and Green Roach, to collaborate in the research work.

The first few months of the project were spent discovering how the Courtaulds organisation as a whole is perceived, both internally and by the outside world. This resulted in the conclusion in the words of Jim Northover, that Courtaulds was "seriously under-performing visually."

Sir Christopher Hogg with Courtaulds new logo (above left). The symbol is intended to be distinctive and to reflect the versatility of the group and its different businesses.

The second stage was a 10-month internal "getting to know you process," as Sir Christopher calls it. He supplied a shortlist of 83 directors and managers to be interviewed individually. Another 230 managers were mustered for day-long sessions in groups of 15.

These were organised by 3i Consultants, which made use of its Pathfinder techniques, in which electronic keypads allow individuals in the groups to vote anonymously.

Existing signs and other graphics were studied at 33 major sites. Josie Bowman, Lloyd Northover's head of consultancy, explains that it is important to visit factories to avoid over-glamorising the company.

"We mustn't do an identity which would leave the employees hooting in their canteens," she says.

Twenty-seven major customers and suppliers were interviewed. Consumer attitudes to Courtaulds' brands were researched by SRU consultants and the City image of Courtaulds was monitored by Mori.

The main second report, presented in November last year, was backed up by 15 appendices. In addition to the research among employees and consumers; these included: a survey of existing branding and naming within the group; a detailed analysis of Courtaulds' biggest sub-group, textiles; a summary of the "visual audit" (based on 50 box files of company literature and photographs taken on site visits); and a report on management opportunities.

There were two principal findings: that Courtaulds has been changing its orientation from production to the market place; and that the name Courtaulds has the right attributes to be used for the group as a whole and for reinforcing the strengths of individual subgroups and companies.

In January this year Lloyd Northover got the go-ahead for stage, three; to formulate a new graphic identity in response to the findings of the research.

This would have three inter-related aspects: typography, based on using the company name; a symbol, because "Courtaulds" is too long a word to provide a sufficiently distinctive image in its own right; and a set of rules of usage that would project the desired image of the company structure.

The symbol, now called the C-mark, posed the greatest challenge since, according to the brief, it had to reflect the group's diversity and its devolved structure. Anything representational threatened to be too limiting.

The essence of the company was distilled to a single phrase—"technical and creative leadership in materials."

Before proposing a typographic design and devising a scheme for the use of type and the C-mark, the consultants and the Courtaulds steering group, a small team of senior managers who had liaised closely with the consultants, needed to agree on how to structure the group for communication purposes.

They decided to limit the new identity to just three levels; the PLC, the sectors in which it operates (currently numbering six, excluding research and engineering), and the "business groups" (totalling 20).

But isn't the very idea of a group identity at odds with the group's devolved management style? The conflict was considered carefully.

"Each business group should come across as a big business in its own right, without the heavy hand of the centre," Lloyd explains. Graphically, this is achieved using colour change. At PLC level, the symbol is in dark blue and gold; each business group has its own distinctive colour scheme.

The new identity was launched in June when Courtaulds published its "high visual quality" annual report. The response has been clearly positive, says Sir Christopher, who wrote personally to 130 chief executives asking for their views.

So far, the project has cost about £1m, and another £4m will be spent over the next two years.

It is too early to say whether Courtaulds is getting full value for money. But several design consultants have already commented critically on the C-mark. They say it is "disappointing," "inexplicate" and "and it doesn't clarify the market Courtaulds is in."

But several of London's leading corporate identity consultants are less dogmatic. Alan Brew, general manager of Landor Associates' European office, argues: "The work itself should not be viewed in the light of the graphic quality of the logo. The true worth of a corporate identity is how it helps a company restructure itself and define its core business."

Steve Braidwood is editor of Design magazine.

Pressing need to be distinctive

IT'S A myopic company in these days of razor-sharp competition which can afford to ignore the identity of the body corporate.

John McConnell of leading consultancy Pentagram puts it this way: "The identity of a company is its most important asset. Machinery wears out, people move on but the identity of a company stays with it always."

Once it was largely banks and airlines who showed they understood this. Recent major projects for British Airways by Landor Associates, the TSB by Allied International Designers, the Midland with Fitch doing the retail identity underline the point.

Selling similar products and near identical services, they faced a pressing need to carve themselves a distinctive hallmark to set them apart from the oh-so-similar competition.

What is changing today is a perceptible upswing of interest swelling the growing ranks of specialist corporate identity design consultancies in the UK. This seems to indicate a galloping awareness spreading into companies and organisations of all hues and sizes.

A skim through some of the significant identities created or overhauled within the last five years underlines this "ecumenical" trend. The list includes: British Gas, Hillier Parker, Dunhill, BAA, Southern Electricity Board, Bowater Industries Barclays de Zoete Wedd, Intercity, Prudential and, on the ever-thrusting retail front, Debenhams and Next.

Banesto

New symbol for the Spanish bank Banesto, with the old one at left. The symbol is part of major redesign work by Jordan Williams to modernise the bank's image.

Historically, service industries have had the edge over manufacturing industries in the field of identity—which is what makes the Courtaulds and the forthcoming ICI identities, as well as the forthcoming work for Robinsons of Chesterfield (makers of health food products and packaging handled by Newell and Sowell) and the Kuwait Petroleum Company identities, all the more notable.

Leading consultancies report a catholic collection of businesses ranging from police forces, to polytechnics, solicitors' practices to accountancy firms, property companies and trade unions. Retailing continues its familiar bullish growth and, inevitably, in the wake of the free-for-all created by Big Bang, financial institutions are coming up fast.

"Though whether they all understand what an identity really is is another matter," as one experienced consultant notes tartly.

As serious practitioners will all too readily reiterate, there is a world of difference between the "logo-jobber" approach which involves little more than fine tuning a letterhead or revamping a logo, and what are genuine long-term solutions—the one which affect the bottom line—which are reached after considerable research and soul searching into an organisation's psyche, its audiences and its aspirations.

Wally Olins, whose company did the striking 3i work and currently the ICI job, defines it as "a mix of style and structure, separate considerations but related. Thus it affects what you do: product (services); where you do it (environment); and how you do it (communications)."

Corporate identity is not something that can be doodled on a pad. It affects the way the staff answer the phone and the ambiance of the reception area as much as the look of the company literature or the colour of the corporate fascia.

Sampson Tyrrell, which handled the British Gas job, echoes a common observation that increasingly they deal at chairman or chief executive level, which indicates the importance companies now attach to revisions of their identity.

The chief trigger that sparks a company into considering its identity is metamorphosis of some kind. It could be a merger or acquisition, like the Barclays de Zoete Wedd (BZW) job, or the birth of a new company (witness Bloomsbury Publications or Net Returns, a company marketing indoor cricket, both handled by Newell & Sorrell) or going private (British Gas, BAA), or going public.

Olins argues that corporate identity is still an immature business but one that is growing as big international corporations offering similar products and services begin to realise that "corporations with images that are not very strong will go to the wall."

He notes a distinct growth of interest in Scandinavia, Germany, France and, more recently, Spain. "The appetite is growing," he says, "but the ignorance is almost as big as the appetite."

Redesign for canned evaporated milk for the Belgian supermarket chain Delhaize. Landor Associates developed a simpler style (at right), for a range of packaged products, dispensing with accumulated type added to cans over the years and introducing colour photographs of the food inside. The Delhaize lion symbol was updated and emphasised by adding a bright red plume.

Product design: Two Design Council Award winners are examined in detail by **Mike Strutt**

Tall order for rescue work

THE SIMON Super Snorkel ultra high-rise platform gives firefighters, rescuers and maintenance workers unprecedented reach from the ground. It raises vertically from a road vehicle to twice the height of a fire brigade's longest escape ladder — to 62 metres, up to 20 storeys.

The telescopic platform, built by Simon Engineering at its Dudley, West Midlands, factory, is claimed by this international specialist as the world's highest firefighting platform.

It was designed by Denis Ashworth, Simon's technical director, and David Johns, senior design engineer, to meet a number of requirements of fire departments and emergency services worldwide. Up to six people at a time can be rescued and the platform, at the end of a boom, will reach up, over and around obstructions so that firemen can direct large jets of water on to blazing buildings from a safe distance.

The designers had to overcome a number of problems to build a platform that could operate reliably at this height. It had to be inherently stable, to extend and contract readily, and for the most reliable operation needed hydraulic controls on the platform itself instead of using electrical remote controls.

It was also necessary to be able to retract the entire structure into a 12-metre length so that the Super Snorkel would be able to negotiate congested city streets and comply with international commercial vehicle regulations.

Mr Ashworth says: "We realised early on that we had to use roller bearings instead of bearing pads to ensure that the column would retract under its own weight. We had to be sure that the structure could cope with the roller loads and the leverage exerted by the boom and platform without buckling."

To reach the precise solutions, Simon enlisted the help of the Design Council's design consultancy scheme, through which the company was introduced to Marchant Filer Dixon, specialist structural consultants, and Michael Neale and Associates, who advised on the most suitable materials. The 15 days' consultancy provided under the scheme was divided, at Simon's request, into 7½ days' work for each firm.

A hydraulically-operated levelling system comprising jacks, stabilisers and tilt adjustment of the turntable enables the mast to be held vertically to ½ deg. of accuracy, allowing use on the severe slopes and cambers sometimes encountered in firefighting and other work. Interlocking safety systems control the sequence in which the jacks and stabilisers are deployed.

The industrial version, the Super Sixty, is fitted with a range of optional equipment instead of a fire hose, creating an adaptable work platform with a wide variety of uses. These accessories, which are specified by the customer, include lighting, power supply and washing fluid equipment, according to the purposes intended.

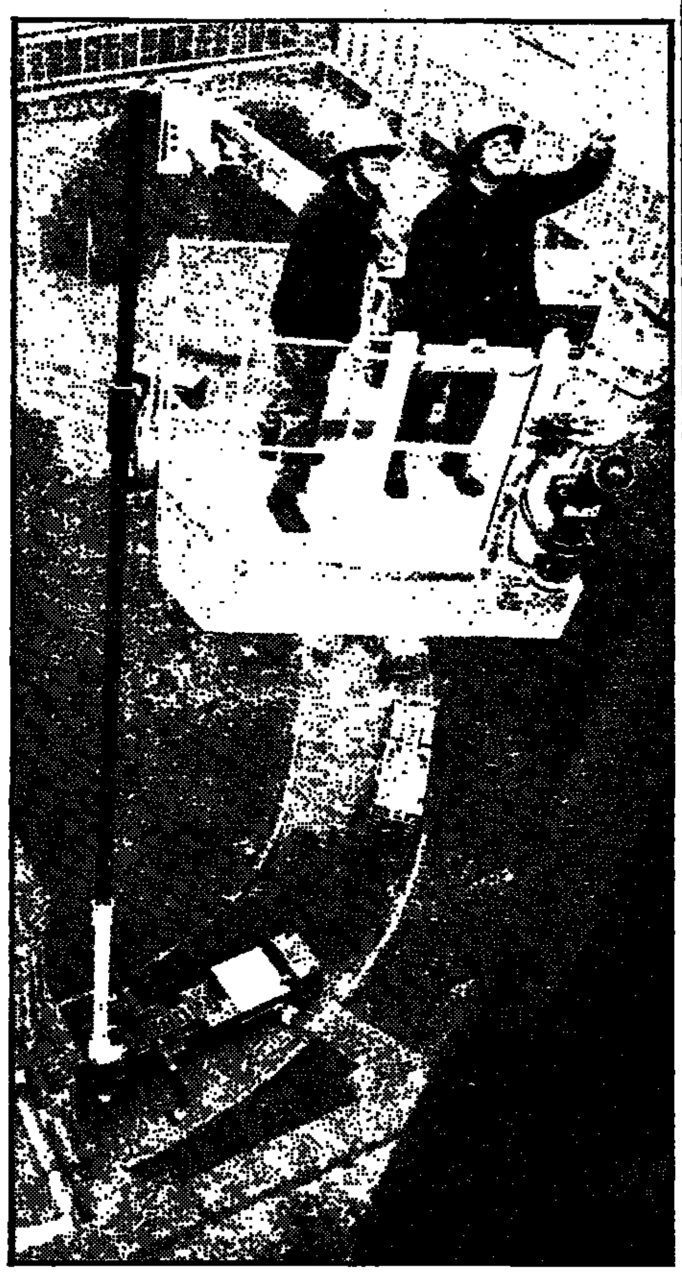
The Super Sixty's long-armed reach provides much easier access for plant inspection and maintenance applications, so that quarry faces and the fabric of tall structures such as industrial plant and cathedrals can be checked easily without erecting and dismantling scaffolding.

For example, when some cladding on one industrial structure had to be renewed, the work was expected to take four weeks. Instead, the company hired a Super Sixty for four days and finished the job in four hours.

The platform has another ideal use—television people hire them for outside broadcasts at such events as the Live Aid concert and the Cup Final.

More than 8,000 of Simon's shorter Snorkels in its range—bought for many purposes from repairing street lights to maintaining aircraft—are in use worldwide, the company says. Threequarters of its annual output is exported to 100 countries.

Though these new giant platforms cost around £400,000 this is quickly recovered on short-term jobs at great height where the cost of scaffolding would be a high proportion of the bill.



Two hundred feet up—the Simon platform in action.

Keeping dry on the ocean

UNTIL QUITE recently everybody believed that if you went ocean sailing then you were sure to get wet, and often very wet, no matter how you dressed to keep out the elements. But now the experience of yacht crews with the award-winning Musto Ocean Suit has turned this belief upside down.

The suit was developed by Keith Musto, whose company's range of foul weather clothes for dinghy sailors and yachtsmen was making its mark when Cornelius Van Rietschoten, a Dutch competitor preparing for the 1981-82 Whitbread Round the World Race, challenged him to make some clothing "that will keep us warm and dry when we are sitting in pools of water on an aluminium side deck in sub-zero conditions and gale force winds."

Musto, an Olympic Silver Medallist in the Flying Dutchman Class in the 1964 Tokyo Olympic Games, offered to try—and obliged. Rietschoten's crew had its clothing and ran a highly-successful race, taking the principal honours.

The Ocean Suit consists of a jacket, trousers, and a waistcoat that doubles as a buoyancy aid. But the secret is in the construction of the outer clothing in Musto's Three Layer System of outer, middle and inner garments, developed to provide the mobility to work at sea while beating the elements.

The first layer, thermal underwear made of brushed Meraklon polypropylene, wicks moisture away from the skin. The middle garments, in fibre pile fabric with a coated nylon shell, are lightweight, windproof and keep out all but the wettest weather; while the outer layer—the Ocean Suit, in Neoprene nylon fabric—is worn on top in the worst conditions.

Special features incorporated in its construction keep out nearly all the water which reaches the wearer as rain, spray or seas taken on board. These include elasticated cuffs; self-draining pockets, and baffles behind the storm flap on the front of the jacket.

A vital feature is the close-fitting hood whose peak deflects water away from the neck where it could enter the suit.

All the seams are sealed with heat-welded tapes, which is costly but essential on clothes which must be completely waterproof.

"The suit is also carefully designed for the greatest convenience and safety," Keith Musto says. "For example, the jacket has stowage for a safety line, and the safety harness is integral so that if you have to dress and go on deck in a hurry it cannot be forgotten."

The Ocean Suit's ability to keep out water was shown in tests last year carried out for the Royal National Lifeboat Institution by the RAF Institute of Aviation Medicine. The Musto was found to be twice as effective as rival suits tested.

Musto, who has twice visited Japan as national sailing coach, started in sailmaking in the 1960s, when top competitors had to go abroad to get their sails made. He switched to clothing when he found there was a demand, and believes he is now making the most technically-advanced sailing clothes in the world, based on a wealth of sailing experience.

He and his two partners employ 120 at the Benfleet, Essex, factory, recently expanding on to a second site and doubling their manufacturing capacity. More than 80 people are engaged in cutting and sewing the garments.

Kit is produced for dinghy, inshore and offshore use and includes caps, bags, boots and bosun's chairs. Fifty per cent of the output is exported.

The Ocean Suit, which costs about £300, has caught on strongly and Musto gear was used by both the America's Cup crews — fully paid for, not as a promotion deal. And the RNLI, as an outcome of the RAF tests, has decided to re-equip its lifeboat crews with them, starting with an order for 300 suits.

Last year, half of the participants in the Round the World Race wore Musto gear.

Sailing in the UK is a seasonal activity, so Musto is looking to other outdoor pursuits where there could be a demand for special clothes made to similar standards.

Recently the company launched its Country Jacket, to compete directly with the familiar waxed cotton jackets worn nearly everywhere you can find a Range Rover or a horse and a pair of muddy wellies.

The difference is that the Musto version includes a few of his own warmth and waterproofing tricks, and also does not become messy with use. Reactions so far have been very favourable, he says.

The crew of pop star Simon Le Bon's Drum, in Musto kit, race through the Southern Ocean during the round-the-world event.

Retailing

Lessons in the long-term approach

NINE MONTHS ago many commentators were convinced that the retail design boom had burst. Few major high street retailers remained as new territory for design groups and those who had long been convinced of the power of design to increase their turnover were becoming visibly wary of the seemingly endless cycle of redesigns forced on them by a fashion-conscious public.

But the boom in retail design has continued, though perhaps at a slightly slower pace. What has happened is that retail design has entered a new phase, and the ambit of the designer has grown rapidly.

The traditional province of the designer, the high street multiple, has been replaced as a focus of interest by unexpected sources; bulk goods retailers, notably the out-of-town DIY and furniture chains; financial services retailers, such as the banks and building societies; and on, the high street, the department stores.

High Street multiple retailing has not, however, been static. A few years ago design groups trumpeted the shift from straightforward shopping to "shopping as a leisure experience," or even "shopping as theatre." But the frenetic redesigns, and equally frenetic interiors, particularly in fashion retailing, tended towards a wearying uniformity on the high street.

No sooner had Fitch & Co launched the latest version of Top Shop, then McColl or some other design competitor would trump it for Chelsea Girl.

Fortunately, Next showed both retailers and designers that there was a commercially viable alternative. Their original design, by what was then Conran Associates, was followed by equally pared-down, classic designs by David Davies Associates and The Jenkins Group. These designs were not intended to have a shelf-life of 18 months or two years, but to be distinguished backdrops to rapidly-changing fashions in clothing for three or four years.

The lessons of the Next approach, which once seemed more appropriate to exclusive, high-fashion shops, have not been lost on a wide variety of retailers. The Dolcis shoe chain used John Herbert Associates to design one of the most distinguished of the new-style shops: a clean, white interior, enlivened by set-piece displays of shoes and carefully chosen graphics.

And David Davies Associates, which grew into one of Britain's major design groups on the strength of its work for Next, has transferred its spare style to Boules, Coles and even an American retailer, Paul Harris.

Some of the most intriguing design developments have happened outside fashion retailing. Retail design has matured enough so that no responsible designer claims design as a panacea for a retailer's problems; instead it is one element in a successful mix that includes merchandising, staff training and marketing.

But the acceptance of the importance of design was shown last year when one of the main planks in Woolworth's defence against Dixons' takeover bid was its recently implemented Fitch & Co design. In Woolworth's Operation Focus, where the massive range of goods has been trimmed down to six key areas, the design, too, cleared away much of the visual clutter that plagued the stores.

In a somewhat similar vein, W. H. Smith turned to Peter Leonard Associates for its recent redesign. The new design, introduced in Southampton at the end of last year, creates 10 clearly distinguishable departments within the branch through the use of simple graphic panels and clear sightlines.

As a counter to the tendency towards high street uniformity, Leonard's design for Smiths also includes an element of "personalisation" for each branch. For example, in Southampton a sailing ship logo and banners painted with seagulls draw from the city's maritime links.

Unquestionably the biggest stir in the past year has been created by the turmoil in financial services retailing. So far, three of the four major clearing banks have launched redesigns, and the fourth, National Westminster, will have its Jenkins Group design finished this year.

The building societies, too, have had a flurry of new designs. Perhaps the most significant aspect of this frenzied activity has been the recognition by banks and building societies that they are in fact retailers, and need to exploit their expensive high street properties as cleverly as the Burton Group or Next.

The most far-reaching redesign has been Midland Bank's new look by Fitch & Co. Although some detractors have commented that the new Midland looks more like a nightclub than a bank, the striking imagery of the design may distract from what is actually a strong, sensible plan, based on the belief that more personal contact is valuable for the bank and its customers.

Out-of-town retailers have also started to exploit design. W. H. Smith's Do-it-All has used David Davies Associates to devise a largely graphic approach to transform their large retailing sheds into an attractive comprehensible environment.

More surprisingly, furniture retailer MFI has used Tilney Pike Shane to impose order on their largely haphazard sheds, and has developed a more upmarket furniture chain, Ashton Dean, with Crighton Design.

MFI's corporate sister, Asda, has turned to Fitch & Co for its superstores. The new-look Asda has a more logical layout of food and non-food items, and uses large, clear graphics to signal departments in the giant interiors.

Shopping centres, too, have been affected by the retail designers. In most new centres designers are involved by developers as early as, if not before, the architects. Designers are entrusted with giving centres a distinct identity, particularly important at a time when the rapidly-increasing number of shopping centres has created ferocious competition for shoppers.

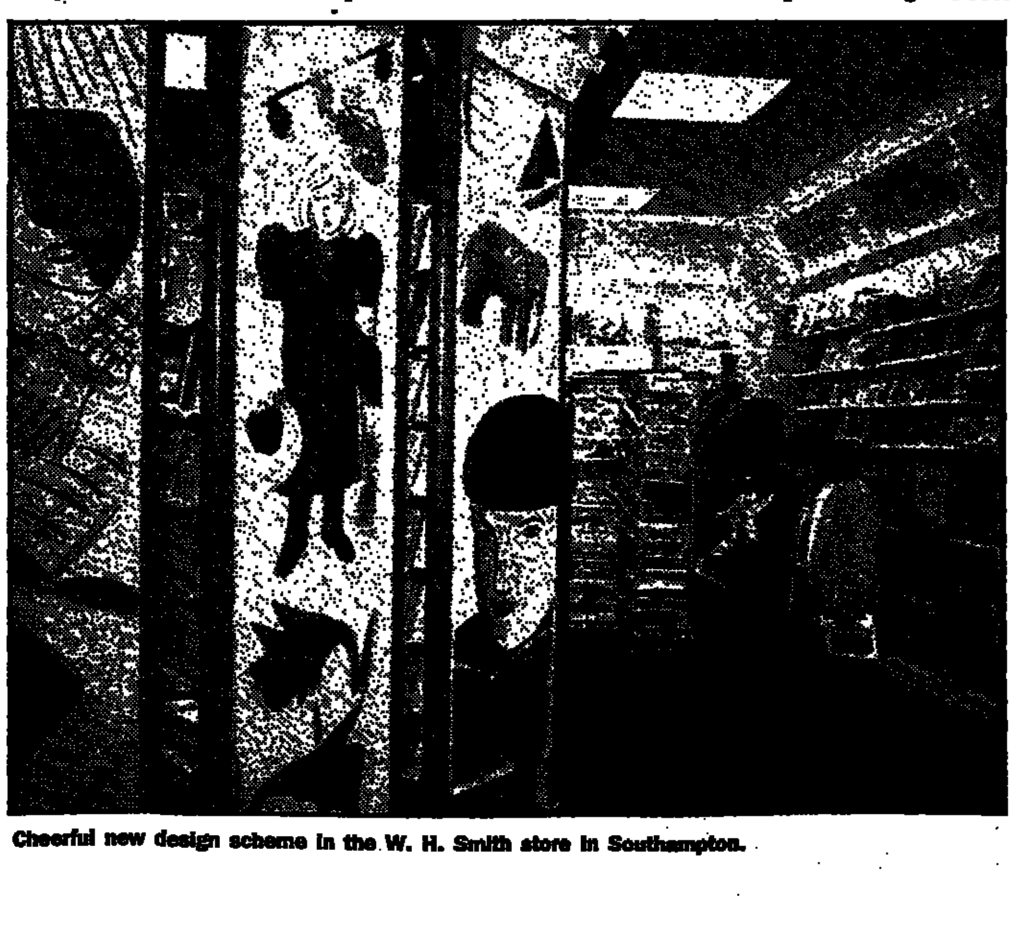
In the largest development, the Metrocentre in Gateshead, Canadian designers International Design Group were responsible for the somewhat kitsch interiors. But no completed British centre yet approaches the standards of the best North American centres, like San Diego's Horton Plaza, St Louis' Union Station or Toronto's Eaton Center.

Perhaps the last group of retailers to exploit the resources of the retail designers is the department stores.

Now the results of redesigned Debenhams can be seen in Oxford Street: an atrium has been carved out of the middle of the giant store, allowing light and spectacle into the interior. This new space serves as the key circulation area, and well-defined departments are reached off the central axis.

Dickins and Jones, too, has extensively revamped its interior.

Lance Knobel



Cheerful new design scheme in the W. H. Smith store in Southampton.

THE ARTS

Patricia Lent with Victoria Finlayson, David Kulick, Megan Walker and Keren Radferd in "Points in Space"

Merce Cunningham/BBC TV and Prom

Clement Crisp

Merce Cunningham is in London, and will open a season with his company at Sadler's Wells Theatre tonight. As a foretaste of dances to come, television showed a piece especially conceived and commissioned for BBC 2 on Saturday night. This both beguiled the eye and afforded an excellent introduction to Cunningham's procedures (and those of his long-time associate, John Cage) for an audience unfamiliar with the unrelated nature of dance and its accompaniment in the Cunningham/Cage partnership.

Points in Space, in a version revised for the theatre, will be seen in the first Cunningham triple bill at the Wells tonight. There the audience's view will be less "guided" than by the camera in the televised production—and therefore arguably truer to the Cunningham credo of visual freedom—and it will be intriguing to discover if the stage presentation can repeat the ravishing and almost luminous colour effects which made the television recording so exciting to watch, and reflect such honour on the BBC's lighting and camera work.

Points in Space is an ideal sampling of the Cunningham manner. Its physical serenities, the quick dartings and slow unfoldings of movement, the long perspectives of particles and shapes of colour in motion, can but delight the unprejudiced eye. The cyclorama set ("Think of weather," said Cunningham to his designer) was by William Anastasi; costumes, in solid tones or prettily speckled, were by Dove Bradshaw.

The filming was directed by Elliot Caplan and Cunningham himself; the producer was Bob Lockyear; the BBC deserves every commendation for making this beautiful dance-work possible, and for providing the expository sequences at the start of the programme to enhance audience pleasure in the dance itself.

There were also insights to be gained into the creation of John Cage's accompanying sound collage. A text by H. D. Thoreau, recorded by Cage, was fed through the computers at Brooklyn College to select only the noise of the spoken consonants. The result was a mild vexation to the spirit, sounding rather like protracted heavy-breathing on the telephone.

Another Cage compilation was on offer on the following night, when the second half of the Sunday Prom was devoted to the Cage/Cunningham *Roaratorio*. This is Cage's extrapolation of incidents from *Finnegans Wake*. Ingredients are Cage's reading from Joyce (wholly inaudible to me in the Albert Hall), recordings of miscellaneous noise taken from locations mentioned in the book, and Cage's listing of sounds he finds mentioned in the text.

Add five Irish folk musicians to play for a set minutage, seated round the Prom area which is the dance-floor on which the Cunningham troupe perform, and you have the materials through which the listener may pick and choose.

The score I found to be tedious, and you need to love Irish music very much indeed to accept over an hour of its intermittent tootlings. The pleasure was in seeing Cunningham's dancers on their best and bright-footed form, stepping and leaping, caught up in this litter of noise, with the occasional irruption of Merce Cunningham in one of his now characteristic Agag dances, full of delicate treadings and semaphore arms. The dance seemed to pull *Roaratorio* into focus. But, perish the thought, may be this is exactly what Mr Cage doesn't want.

Cerceau/Riverside Studios

Michael Coveney

The London International Festival of Theatre has, at the start of its second week, produced an absolute cracker from the box of tricks. Viktor Slavin's *Cerceau* comes from Moscow's Taganka Theatre where it was a resounding hit in 1985. Most new Soviet plays that I have seen are either drab or embarrassing. This one is oblique, poetic, deeply critical and ambivalent. And it is directed by Antoni Vasiliev with all the visual panache and assurance of one who knows he is in receipt of a modern classic.

After playing in Stuttgart and Holland, the piece settles this week in the smaller of the Riverside studios, the audience seated on two sides of a large Russian summer house that is boarded up from the outside. The play bursts out of this dacha, the engineer Petushok breaking down the planks to let in the air and reveal his guests. These include his engieering boss, Vladimir; his former lover Valyusha; his neighbour, the beautiful Nadia with whom, in the city, he shares a rubbish chute; Pasha the historian who upholsters doors; and an immigrant Swede, Lars, whom Petushok met dithering by some traffic lights.

The play has been widely likened to *The Cherry Orchard*, and there are marked similarities in the yearning for communal life that the dacha represents and its sale to Pasha in the last act after an old habitué, the octogenarian Koka, has returned to inherit the property. But Koka was only just born when *The Cherry Orchard* was written, and the discussion of communal ties and the summer idyll is refracted through some sharply outlined histories of personal alienation and disillusion. What did the new order provide? Petushok, who has inherited the house from a great aunt, spent the first 34 years of his life in one room with his mother with barely an inch leeway either side of his little bed.

An unorthdox, almost hedonistic, philosophy underpins the action, and this longing harks back to pre-Revolutionary summers when the game of cerceau—played with long sticks and plastic hoops—brought a household together in pleasurable activity. At the end of the second act, white gauze curtains encase the actors who perform a leisurely game with these sticks and hoops that should never, by rights, have survived riots and upheaval. Petushok—the name means "rooster"—lost at cerceau, and he sets fire to a hoop. The voice of Elvis Presley throbs forth in "Surrender."

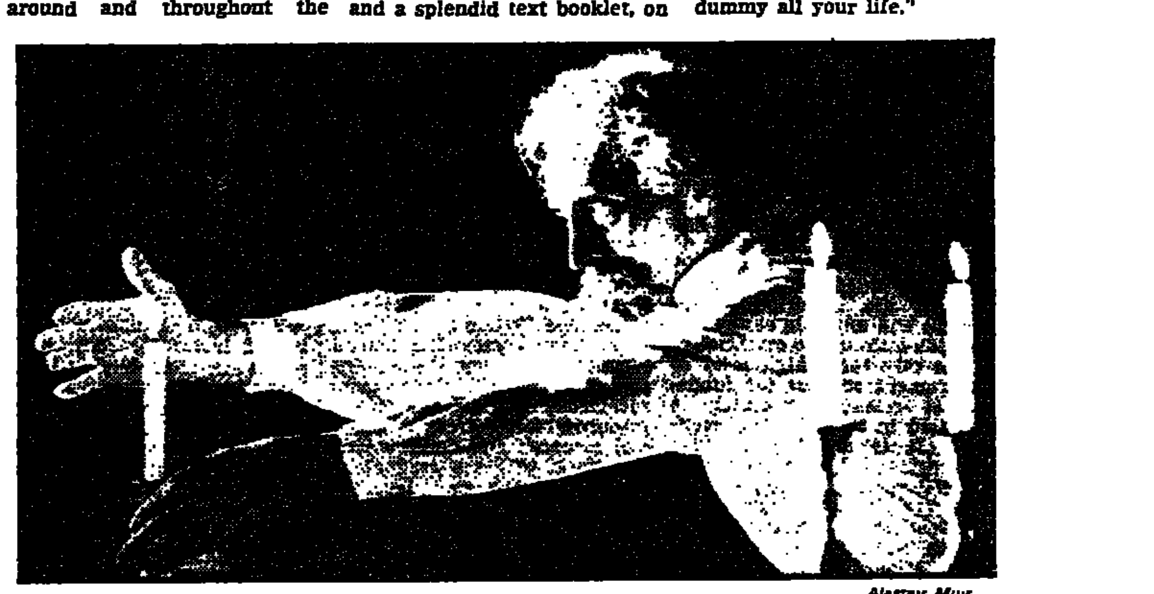
Vasiliev's production derives from a Taganka studio operation patronised by Yuri Lyubimov before his defection, and it bears some of his intellectual hallmarks. But the piece is also presented as a dream play, the characters now concrete, now representative, drifting and spinning through the house, across furniture, out of windows, so that their occupation is both conclusive and balletic. This ceaseless movement signifies a physical and spiritual quest and the choreography by G. Abramov, casually deliberate, is concentrated in a climactic party number danced around and throughout the house to a pulsating boogie-woogie.

The play was initially called "I'm Forty, But I Do Look Younger" (the author told his German translator) and there is a line about doing something about your life at that age before, at 50, it is too late. Thus Petushok invokes images of the Mother Country and presides, in Act Two, over a formal table of his so-called colonists. This is where memory and nostalgia play tricks with resolution. But the vivacity of old Koka's stories in Sebastopol can easily complement the present domestic crisis of an impending new family addition from his grand-daughter. Young Nadia (radiantly played by Natalia Andreickenko) becomes, in Koka's eyes, his beloved Lisa. Their correspondence, and the others' recollections of how they felt, are threaded through snippets of such letter-writing alumni as Pushkin, Maria Tsvetayeva and Olga Knipper.

Beyond the broad outlines, it is impossible for an English audience—in spite of an excellent simultaneous translation and a splendid text booklet, on sale at the theatre—to pick up on all the references. But you get the drift as the characters fall apart and leave the house to be boarded up once more, this time like a grotesquely decorated wedding cake, with string, black paper and plastic sheeting draped over the upper level verandah as in some Cristo public sculpture. Petushok none the less creeps back in while the others wallow in tales of personal misery.

Igor Popov's beautifully constructed dacha is a real example of inhabited scenic design and, thanks to I. Danitsov's lighting, it can glow with a promise of sensual pleasure or present a bleakly unwelcoming exterior. The company is outstanding.

This is Russian acting at its best, combining histrionic emotionalism and a precision that is thoroughly modern. Perhaps Pasha comes closest to telling it how Slavin views the central question: "If from your early childhood you are given the stinking products of the Rubber-trust Co-operative to suck on, you will ache for a proper dummy all your life."



Alastair Muir

Boris Romanov, who takes the part of the Swede, Lars

Tucker's sculpture pared down to the core

William Tucker was a leading member of the highly particular and successful group of British sculptors, radical, abstract and experimental in their work, that grew up under the aegis and personal example of Anthony Caro at Saint Martin's School of Art in the early 1960s. The group came into its own as the New Generation which Bryan Robertson celebrated so memorably at the Whitechapel Gallery in 1965.

As is so often the case with groups, it was no group at all. There was no shared aim or general purpose other than to get on with the making of sculpture. Tucker got on very much in his own way, and very well too, with a steady stream of major shows at home and abroad, notably in the British Pavilion at the Venice Biennale of 1972.

The bias of his career has veered abroad, taking him first to Canada where he taught for a year or two in the middle 1970s, and then on to the United States where he has now settled as an American citizen. He is now 52, but circumstances or chance has meant that hardly anything of his work has been seen in Britain in nearly a decade.

The two coincidental shows now to be seen in London, at the Tate Gallery (until August 23) and Annely Juda Fine Art (until September 5), though they are of distinct, coherent groups of recent work and constitute no retrospective, are therefore especially welcome.

Tucker came to sculpture quite late, after reading History at Oxford; there has always been something of the academic in himself and the cerebral in his work, always inclined to theory or the establishment of principles. It is clear from these latest works that there is now a deeply intuitive side to Tucker's sculpture, yet he must rationalise it.

William Tucker

These new sculptures, the five *Gods*, at the Tate, and the Horses' Heads at Annely Juda, all tease their way to the threshold of specific imagery and actual representation, amorphous, lumpen, suggestive shapes that might yet move into real description and physical equivalence.

In a revealing aside in his essay to the Juda catalogue, apropos to Rodin and Degas, he declares: "As a student I never attended the life modelling class: I felt there was something alien and repulsive about the process at the time, and now I know I was right . . ."

He goes on to say that such experience, which Rodin could accept as the essential discipline of his art, was unacceptable to him because it did not confirm to critical orthodoxies.

He was not wrong then any more than he is wrong now in embracing them: "Once I grasped this possibility some time ago I have been discarding, year by year, fragments of the visual and conceptual framework on which I once felt my sculpture depended . . . until all that is left is the massive core."

In 1975 he was invited by the Arts Council to arrange a polemical exhibition which he called *The Condition of Sculpture*, which definitive condition he set out as subject to gravity and revealed by light. In other words, a work of sculpture is an object of the real and physical world, visible and tangible, fixed in space within its natural physical limits.

So much is common sense; his work stands by this dictum. It is only the agonising which grows tedious, adding little to our experience of these new, extarordinary and beautiful objects.

Tucker's current critical *idée fixe*, that "twentieth century sculpture has depended on controlling and preserving the distance of the spectator from the object" is mistaken. It is simply not true that modern sculpture, from Brancusi and Giocometti to minimalism, forbids physical contact and direct corporal identification.

There they stand in the far central hall of the Tate, the first family of the Gods, Ouranos and Gaia and their children, Kronos, Rhea and Tethys, not in any identifiable personal character, but modelled with a rude and vigorous sophistication into simplest, most weathered of totemic presences, like standing stones

The horses at Annely Juda are smaller and more accessible in their physical being, more nearly figurative in their allusion to the horses of the Elgin marbles.

William Packer

Judith och Holofernes/Vadstena Festival

Paul Driver

The charming town of Vadstena—a three-hour train ride south-west from Stockholm—is one of Sweden's principal summer tourist attractions. It is on the edge of the immensely large, deep and silent Lake Vattern; it preserves much secular and sacred medieval architecture, including a fine Abbey designed by St Bridget and a cluster of related buildings. It has an enormous royal castle (begun 1545) whose moat is now linked to the lake, and there is an exquisite tiny theatre (1820). Half a million people consequently stop off at Vadstena during a summer—but some of them are primarily attracted by the activities of the International Vadstena Academy and its festival of opera.

The Academy was founded in 1964 by the singing teacher Ingrid Maria Rappe to give aspiring professional singers and players the chance to stage rare early operas and commissioned new pieces in the historic buildings of the town. Competition for places at the "opera laboratory," as it has been called, is fierce (this year, a dozen singers out of 150 were picked), and many of the successful applicants have in the past gone on to brilliant careers (most recently the soprano Anne-Sophie von Otter).

Vadstena has also been called the "Swedish Glyndebourne," but this is misleading: although as at Glyndebourne young singers work intensively in residence together for a period of weeks, Vadstena's artistic intentions are different. The object is to create productions on a low budget from scratch, and the policy favours experiment, exuberance and risk. This year, two projects were undertaken — the first performance in modern times of Cimarosa's 1785 opera, *Il marito disperato* (opening at the Old Theatre on August 2), and the presentation of a specially devised music-theatre triptych exploring Biblical legends, which I was able to see last weekend.

The three works were mounted on a small stage in the acoustically ideal and aesthetically charming Wedding Room of the Castle. All three were tableau-like in conception, purposefully static in stage-manner. The first, *Daniel in the Lion's Den*, was a funny little baroque oratorio (lasting less than half an hour) by an anonymous Italian master whose music had been arranged by Anders Ohrwall. It was sung in Swedish and featured a most eloquent performance by counter-tenor Mikhael Bellini in the title role (though two enthusiastic dancer-lions nearly upstaged him).

After such a dainty *aperitif*, Stig Gustav Schönberg's new dance-opera *Höga Visan (The Song of Songs)*, which droned on in a Stravinskyan neo-classical style (*Persephone* sounded like the model) for upwards of 40 minutes seemed all the more egregious — the dancers (Carin Göransson and Patrik Sörling) were in any case hopelessly cramped by the chorus. But the crown of the evening—and a major success with the Swedish press—was a substantial, gripping 45-minute piece, *Judith och Holofernes*, commissioned (with help from the British Council) from Ian McQueen.

McQueen must surely be the first British composer to set a Swedish libretto in Swedish.

The libretto was presented to him at the outset in the old fashion, he was asked to set this particular text, not choose any old theme. He was obliged to work fast, and the score was only finished on Midsummer Day in Vadstena. But the music conveys the white-heat of its making. McQueen has discovered an idiom which allows him to combine a great deal of intricacy in the instrumental parts (the scoring is for 8-piece ensemble including a very effectively deployed Yamaha DX7IID synthesiser), with soaring, fulsome, eminently singable vocal lines. Somehow, a Maxwell Davies-ish style has acquired the flexibility to be Straussian or even Puccinian on occasion, and the ecstatic top Ds of the soprano part (Judit —gloriously taken by Stina Tornberg — are conventional and totally authentic operatic delights.

Tornberg's beautiful performance might well, in fact, be her route to an international career. No less riveting was Mikhael Bellini (Akior) in the impassioned counter-tenor aria of Scene 2 — a long-breathed vocal utterance backed by lots of interesting detail in the instrumental parts. The chorus — an amateur but committed body — were slightly over-stretched by their writing, but they had, and capitalised on, moments of lusty Nordic intensity (McQueen's handling of Swedish was impressive throughout). Baritone Gregor Erdös sang powerfully as Holofernes. The conductor Stefan Däsman achieved very tight ensemble. *Judith och Holofernes*—or in English, *Line of Terror*—cries out to be performed now in this country.

Onegin/Coliseum

Clement Crisp

From the moment the curtain rose on *Onegin* on Saturday night to show Natalia Makarova as the reclining Tatiana, there was no doubt about the ballerina's emotional and dramatic control of the piece, and her intense sympathy with the romantic girl absorbed in her book of poetry. She dreamed; she believed. We believed. London Festival Ballet had assembled a strong cast: Lucia Truglia as Olga; Peter Schaufuss as Lensky; Ivan Liska, a most distinguished guest from the Hamburg Ballet, as Onegin, but the evening was Makarova's, and glorious it was.

From this Tatiana's first sight of Onegin after she has glimpsed his reflection in the looking glass, the die is cast. Makarova's Tatiana gives her soul to Onegin in a single look, and even in the scene of parting, she cannot really claim it back. It was in this farewell that Makarova and Liska produced interpretations incandescent with feeling, a grand theatrical blaze of temperament and psychic abandon to set the audience in a roar.

Liska, with a strong technique and nobly brooding presence, stormed at his Tatiana with fiercest ardour; the power of Makarova's reading here was in the speed of her physical response to him — her body flung helpless upon what seemed waves of passion — and then the desperate strength found to return his letter and dismiss him. It is, of course, the most obvious and most obviously effective theatre, and as dated as a coach and pair; but with performances like these it becomes a vehicle to take two great artists to triumph, and their audience to a fever pitch of enthusiasm. Yet, for all the Dionysian intoxication of the playing — and the divine afflatus seemed to descend as the scene progressed — there was nothing blatant about the interpretations. Makarova's dancing retained its finesse, Tatiana's portrait drawn with a beautifully light, fine line: Ivan Liska (on whose admirable readings with the Hamburg Ballet I have reported in the past) has both the dignity and the tragic awareness to show us Onegin plain. He is also a flawless partner. Dance-lovers may care to note that as part of the Paris Dance Festival this autumn, Festival Ballet will be presenting *Onegin* with this cast at certain performances at the Théâtre des Champs Elysées in November.

On Friday night Elisabetta Terabust was seen as a sincere and very vulnerable Tatiana, with Paul Chalmer (lately with the Ballets de Monte Carlo) making an Onegin of darkly handsome good looks, and one in whom the inner life of the character burns with a clear flame. Very attractive the appearance of Trinidad Sevillano as Olga. Her dancing is sweetly rounded in style, precise in execution—she was a notable soloist in *La Bayadère* earlier in the week, her variation enchantingly shaped and prettily displayed—and she suggests the innocent charm of Olga's nature with complete naturalness. I admire very much the way her gestures seem to unfurl and take shape, and blossom. About the elderly guests at Mme Larina's party, I must note that they lack dignity and credibility. I do not believe that ballet's senior citizens are necessarily all fugitives from the *Muppet Show*.

Arts Guide

July 17-23

Music

PARIS

Schola Antiqua from Madrid conducted by Ismael Fernandez de la Cuesta: Mozarab and Hispanic Liturgy (Mon, 8.30pm) Saint-Severin Church.

Jean-Effiam Bavouzet, piano: One Hour with Ravel (Tue, 7pm), Auditorium des Halles, Porte Saint-Eustache.

All the above are part of the Paris Festival Estival (4804 9801).

Students of the International Academy of Chamber Music Jean-Francois Paillard: Pierne, Ravel, Roussel, Villa-Lobos (Wed, 7pm). Concert-Rencontre at the Auditorium des Halles.

Chamber Orchestra from Norway with Terge Tonnesen as conductor and violin soloist: Grieg, Mozart (Thur 8.30pm). Auditorium des Halles.

Orchestre de Paris conducted by Leonard Bernstein in memory of Nadia Boulanger (Wed). Salle Pleyel (4561 9607).

ITALY

Rome: Villa Medici (Piazza Trinita dei Monti, 1): Les Musiciens del Louvre playing Rameau's Les Surprises de l'Amour conducted by Marc Minkowski (Thur). (654 4601/2 or from Villa Medici before performance).

Rome: Piazza del Campidoglio: (Wed) Warsaw Symphony Orchestra with Mstislav Rostropovich. Beethoven, Vivaldi and Tchaikovsky; (Thur) Yuri Ahronovitch conducting the S. Cecilia Orchestra. Dvořák, Mozart and Mussorgsky. (654 1044).

LONDON

Endellion String Quartet: Beethoven, Mozart and Brahms. Chartered Acountants' Hall, Copthorne Avenue, EC2. (236 2801). (Mon).

Sarah Vaughan and trio: Royal Festival Hall (Mon, 8pm). (928 3191).

Parikian-Milne-Fleming Trio: Mozart, Brahms and Schubert. Ten Trinity Square, EC3. (236 2801). (Tue).

City of London Sinfonia conducted by Richard Hickox with Andrew Watkinson, violin and Garfield Jackson, viola. Bach, Haydn, Handel and Mozart. Guildhall Old Library (Tue). (236 2801).

Stan Getz Quartet and Brandford Marsalis Quartet. Royal Festival Hall (Wed).

Scottish Chamber Orchestra conducted by Jukka-Pekka Saraste with Barry Tuckwell, horn. Mozart, Ravel and Dvořák. Merchant Taylors' Hall, Threadneedle Street. (236 2801). (Thur).

NEW YORK

Mostly Mozart Festival (Avery Fisher Hall): Beaux Arts Trio. Mozart, Beethoven, Schubert (Mon); Mostly Mozart Festival Orchestra. John Nelson conducting, Alicia de Larrocha piano, Thomas Hampson baritone. Mendelssohn, Mozart (Tue, Wed), Lincoln Center (874 2424).

Tanglewood: Emerson String Quartet. Smetana, Schuller, Beethoven (Thur). Lenox, Mass (413 637 1666).

Jazz in July Festival (Kaufmann Hall):

Vince Giordano and the Nighthawks featuring clarinetist Phil Bodner in a tribute to Benny Goodman (Tue); Guitar recitals by Tal Farlow, Bucky and John Pizzarelli, Howard Alden and Marty Grosz (Wed); New York Saxophone Quartet featuring Dennis Anderson performing Scott Joplin and others (Thur). 1395 Lexington Av at 92nd St (996 1100).

WASHINGTON

Wolf Trap: National Symphony conducted by Gunther Herbig Jean-Pierre Rampal flute. Schubert, Beethoven, Mozart (Thur). Vienna, Va. (703 255 1868).

CHICAGO

Ravinia Festival: The Academy of St. Martin-in-the-Fields, Neville Marriner conducting. Prokofiev, Mozart, Mendelssohn (Tue), Elgar, Haydn, Vaughan Williams, Bizet (Wed); Chicago Symphony. Gennady Rozhdestvensky conducting, Viktoria Postnikova piano, Frank Peter Zimmermann violin. Haydn, Prokofiev, Schnittke, Massenet (Thur). Highland Park (728 4642).

Opera and Ballet

WEST GERMANY

Munich, Bayerische Staatsoper: Munich's annual opera festival runs to July 31. The third week opens with Cosi fan tutte, with an interesting cast led by Ann Murray, Julie Kaufmann, Peter Schreier, David Hampson and Theo Adam. The much-loved Otto Schenk production of Der Rosenkavalier stars Lucia Popp, Brigitte Fassbaender, Helen Donath and Kurt Moll. Also Die Zauberflöte in August Everding's production. The main parts are sung by Sylvia Greenberg, Pamela Coburg alternating with Helen Donath, Theo Adam and Hermann Prey.

ITALY

Rome: Terme Dicaracalla: Spectacular three-act ballet, Spartacus, by Hungarian choreographer Laszlo Seregi, conducted by Alberto Ventura, with Mario Marozzi as Spartacus, Lucia Colognato as his wife, Flavia, and Salvatore Capozzi as Crasso, a roman commander. (46 17 55).

Rome: Villa Medici: Roland Petit's Ballet National de Marseille in A Zizi con Amore (654 4601/2 or from Villa Medici before performance).

Verona: Arena di Verona: (65th festival): Summer season opens with slightly tame La Traviata by Gianfranco de Bosio, conducted by Ralf Weikert. Nelly Mericioiu alternates with Julie Cornwell and Daniela Longhi in the part of Violetta, and Jose Carreras (alternating with Franco Bonisolli and Ivan Kiurkciev as Alfredo. Aida, with startling scenery composed of shimmering geometrical shapes (by Pietro Zuffi), conducted by Donato Renzetti. Maria Chiara alternates with Seta Del Grande and Martha Colalillo in the title role, Nicola Marinucci sings Radames, and Florenza Cossotto, Amneris. Madame Butterfly, with soprano Renata Scotto making her first attempt at directing (also singing in some performances), conducted by Yoshinori Kikcuchi (28 151).

Ravenna: Rocca Brancale One (Ravenna Festival): Carmen conducted by Raphael de Burgo and directed by Pierluigi Samaritani, with Agnes Baltsa, Jose Carreras, Silvano Carroli and Alida Ferrarini (36 161).

Turin: Parco Rignon: (Torinodanza 1987) Theatre Choreographique de Rennes with works by choreographer Gigi Caciuleanu and the Moscow Ballet Company with classical works and modern dance from choreograhers Gordeev, Eifman and others (54 45 62).

LONDON

Royal Opera, Covent Garden: Last two performances of the season – Die Frau ohne Schatten, splendidly conducted (by Christoph von Dohnanyi) and sung (by Gwyneth Jones, Ruth Falcon, Helga Dernesch, Robert Schunk and Siegmund Nimsgern); and the "revised version" of the disastrous Fidelio production by Andrei Serban, with Elizabeth Connell in the title role and Colin Davis conducting (240 1060).

Coliseum: Students and young professionals of the Bolshoi Ballet School in mixed bills (836 3161).

Sadler's Wells, Rosebery Avenue: Merce Cunningham season (278 8916).

NEW YORK

New York City Opera: Performances of La Rondine and La Bohemé join the repertory of Tosca, with Elizabeth Holleque in the title role conducted by Alessandro Siciliani in Frank Corso's production, and La Traviata. Lincoln Center (870 5570).

New York Grand Opera (Central Park): Free performance of Madame Butterfly at the 72nd Street Bandshell. (860 1335 for raindates).

Jacob's Pillow Dance Festival: Summerlong work and performance schedule in the Berkshires features recitals this week of African Dance (Tue-Thur). Becket, MA (413) 243 0745.

WASHINGTON

Bolshoi Ballet (Opera House): Performances of The Golden Age start the week-long schedule. Kennedy Center (254 3770).

FINANCIAL TIMES
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Management of science

ONE OF the main elements in in the Thatcher Government's policy for science and technology, as set out yesterday, is the establishment of a stronger mechanism at the centre to assess priorities and to ensure that publicly-funded research and development is directed and managed in a way which contributes to the country's economic success. There will be "collective Ministerial consideration, under the Prime Minister's leadership, of science and technology priorities" and *a more powerful independent* advisory body which will comment and advise "across the whole range of scientific and technological endeavour, international as well as British."

These arrangements should help to reduce the inertia in the present system, whereby funds tend to be allocated on the basis of past history or lobbying by special interest groups rather than any objective scrutiny of the scientific promise of the activities concerned or of the economic benefits likely to emerge from them. Yet the Government has to guard against the danger of over-centralisation in a field where predictions about future benefits are notoriously uncertain and multiple centres of decision-making are essential.

The case for a high level of government support for fundamental scientific research is accepted in all industrial countries. It is precisely because such research has no clear commercial value that its financing cannot be left to the market. The academic community will always want more money for basic science, but it has to accept that the more resources are used at this end of the spectrum, the less will be available for the development of commercial products and processes. A balance has to be maintained and, since resources are limited, choices have to be made between different lines of scientific inquiry. In short, the funding and performance of basic science have to be managed. This is now more widely recognised both in government and in the universities.

No direction

Thus the Advisory Board for the Research Councils, whose report on "a strategy for the science base" was also published yesterday, makes a number of suggestions leading to a greater concentration of research resources, including a reduction in support for certain branches of science which may have had a disproportionate share of public funding in the past. The report argues that there is a lack of "purposeful direction," nationally, in the redeployment of university research effort, both within and between institutions. It calls for the creation of a number of multi-disciplinary university research centres, with the involvement both of universities and of industry. These proposals imply far-reaching and painful changes in the way university science facilities are organised.

Institutional changes of this kind, together with an adequate level of funding, should facilitate a more effective management of the country's basic scientific research. The Government has less direct influence *on how the results of that research* are exploited in industry

The Government rightly stresses that industry has to take the initiative for its research and development programmes, and is not persuaded that higher subsidies or greater tax incentives are justified. Government support for industrial R and D is only considered where a worth-while and viable project is at risk through failure of the market mechanism"—a statement which sheds no light on *how* a failure of the market mechanism is to be identified. What is clear—and this is repeated in yesterday's statement—is that taxpayer support for industrial R and D has been skewed too far in the direction of defence. While efforts to obtain greater commercial spin-off *from defence R and D are being* stepped up, the Government recognises that defence diverts resources away from commercial research and development. It expects to see a gradual reduction in the real level of defence R and D over the next decade.

Fresh thinking

All this is welcome evidence of fresh thinking in Whitehall about the management of publicly-funded research and development. The really difficult problem remains—how to devise policies which will encourage companies to invest their own funds in research and development. Most of the answer lies in appropriate macro- and micro-economic *policies, including* a competitive environment which provides incentives and rewards for innovation. In the field of technology policy itself, too little emphasis is on diffusing the results of technological advance throughout industry. Large projects at the frontiers of science are probably less relevant to a country's innovative ability than the less glamorous process of improving the flow of information between universities and industry, and, in particular, to the small and medium-sized companies which are an important source of technical advance. The new advisory bodies to be set up by the Government could usefully devote some attention to this issue.

A new start in Portugal

THE VICTORY of the Social Democratic party led by Mr Anibal Cavaco Silva in the Portuguese general election is a famous one by any standards. It is the first time, not only since the 1974 Revolution put an end to 48 years of right-wing dictatorship, but this century, that a democratically-elected political party has won an overall parliamentary majority. After a long succession of weak minority governments, Portugal has at last been given the political stability which will permit its still relatively backward economy to be modernised and to become fully competitive within the European Community.

Mr Cavaco Silva's success can be put down to several factors, some of them long-term and others of more immediate import. In a highly personalised political campaign, the Social Democratic leader's more charismatic personality, compared with that of Mr Vitor Constancio, his Socialist rival, undoubtedly played an important part in his victory. But underlying the personal battle was the progressive trend away from socialism, and particularly socialist economic policies, which mirrors recent developments in other West European *countries such as Britain and* France.

Portugal's entry into the European Community has apparently provided a salutary psychological shack, not only in the country's business community, but among a wider cross-section of the population, which has long been anxious to see Portugal take its place at the side of the most developed western nations.

Impressive growth

As head of the last minority government, Mr Cavaco Silva has already proved that he is more successful than most of his predecessors in running the economy, though it must be said that he has been helped, not only by falling oil prices and a weaker dollar, but by the previous Socialist-led administration's austerity programme.

Since the austerity programme was introduced four years ago, the turnaround in the Portuguese economy has been impressive and the new government's leader has presided over nearly two years of that development. From being negative in 1984, economic growth improved progessively to 4 per cent last year, the current account deficit has been transformed into a healthy surplus, inflation, though still high by Western European standards, has been brought down from nearly 30 per cent to less than 10 per cent and the expansion of the foreign debt has been halted.

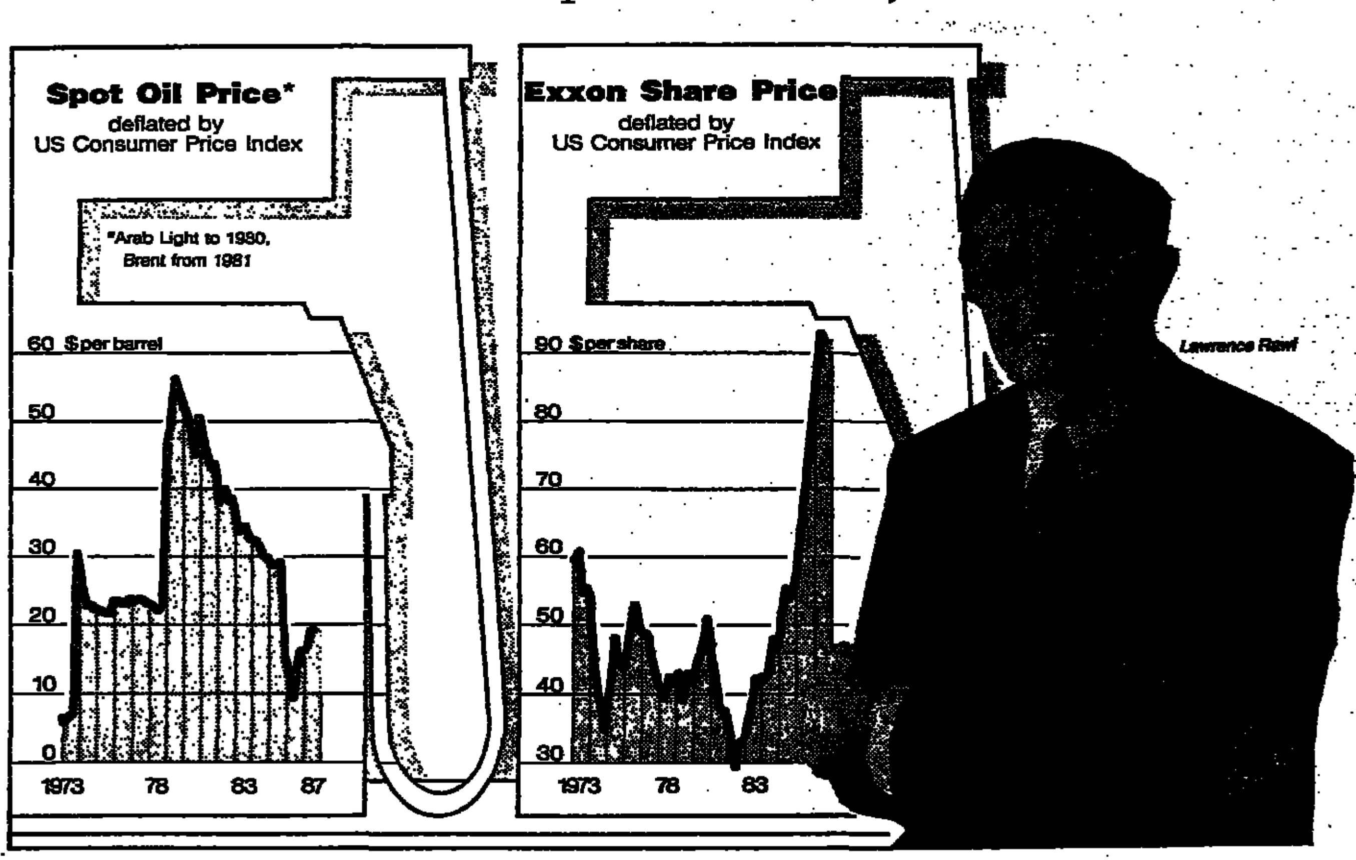
Formidable problems

The upturn in investment, particularly from abroad, the growth in company profits and a booming stock market are all indications of a much healthier economy than was thought possible in the doom-laden years at the beginning of the decade. Yet the problems facing the new Prime Minister, who has pledged himself to promoting private industry instead of the debt-ridden public sector, are still formidable.

Privatisation of the state sector is not permitted by the 1975 constitution, which can only be amended by a two-thirds parliamentary majority. Though the Socialists have promised to support a constitutional revision, this will still involve a lengthy procedure full of potential political pitfalls.

While the legacy of the Revolution and its aftermath is a heavy one, Mr Cavaco Silva's government will be in a particularly good position to make a new start. Its comfortable overall majority in parliament and the almost certain co-operation of President Mario Soares who, though a Socialist, has distinguished himself by his moderation, should ensure the implementation of an economic programme for which Portugal has been waiting all too long.

Max Wilkinson reports on a leaner, fitter Exxon



Flush with cash, but nowhere to spend it

LAWRENCE G. RAWL, chairman of Exxon, leans slightly forward from a deep armchair on the 51st storey of the Manhattan skyscraper he has recently sold to a Japanese bank and says: "We are not in business just to do business."

Under Mr Rawl, who is now completing his first seven months as chairman, the world's largest oil company is set to make what he calls a "reasonable return." And his idea of what is reasonable has led to severe pruning within Exxon.

As a result the tiger of the industry is certainly slimmer, but it is questionable whether it has been losing its spring in the hunt for new investment opportunities. Exxon's remarkable decision to use $7.6bn (£4.75bn) of its cash to buy up its own shares has provoked widespread criticism that it was simply investing in its own past successes and reducing its liability for future dividend payments.

"I don't agree with that, but it's an interesting point. We have debated it," says Mr Rawl, urbanely. He concedes that buying its own shares cannot be Exxon's strategic answer to the major challenge of the late 1980s and 1990s: how to keep *investing more than $3m an* hour when new oil-fields are becoming progressively harder to find.

The share-buying scheme, he maintains, was a cheap way of acquiring oil reserves (though they were already owned by Exxon) at a time when the corporation's stock happened to be undervalued. On average the company paid about half the present price of *over $95½ for* the 162m shares bought since 1983. That puts a notional value of $2.50 per barrel on the reserves "acquired" in *this* curious self-liquidating way—only about a quarter of the US oil industry's average cost of finding oil in the first half of the decade.

But with Exxon shares at record levels Mr Rawl has to *agree this share-buying idea is* becoming less attractive. In any case he concedes he would rather invest Exxon's phenomenal cash flow in assets outside the corporation if he can find suitably profitable ones.

So where should Exxon look next, if it wants to maintain the remarkable tradition of expansion which started in the great days of John D. Rockefeller's Standard Oil in the 1880s, but which recently has seemed to stall or even to go into reverse?

Indeed when he took over command, Mr Rawl's reputation was more as an axeman than a grower. As senior vice president since 1980 and president of the corporation since May 1985, he has been closely identified with the 32 per cent cut in manpower in the main business in the past six years, the closing down of Esso Europe and other regional headquarters, the steady reduction in the number of service stations (though petrol sales have risen) and the disposal of about 18 refineries, in addition to a drastic reduction of headquarters staff in New York. Last year Exxon also reversed its unsuccessful attempt to move into new sectors with the sale of Reliance Electric and its nuclear fuels operation, cutting the head count by a further 30,000.

When the oil prices collapsed in 1986, Exxon led the industry by making a 33 per cent cut in its capital and exploration budget to $7.2bn. Although prices have since recovered *somewhat, this year's budget is* down another 10 per cent.

This "downsizing" as Mr Rawl calls it, was a determined corporate response to the contraction of oil markets and the erosion of price, which Exxon began to identify at the turn of the decade. These early efforts helped it prosper during the storms in the oil market last year, while less fortunate competitors were gasping for survival. Indeed, Exxon has been so successful in reducing fat and cutting off unprofitable parts that net income increased, when oil prices halved.

So size is not everything. "We used to be a 6m barrels a day company in the late 1960s and early 1970s," says Mr Rawl with no obvious twinge of nostalgia; *but the decline in volume (to* 4m barrels a day) which started with the nationalisation of oil reserves in the Gulf, has been accompanied by a steady upgrading of refinery capacity and a rise in profits. But this success has exacerbated a special "problem" at Exxon. On the one hand, high profits continue to make cash available for reinvestment in the business; but on the other hand the corporation's excellent return on capital and extensive low cost reserves make many available investments appear less attractive to Exxon than to some of its competitors.

It is the problem of the team's champion sweating to stay at the top, the only difference being that for major *oil companies the rules of the* game — and the size of the court — have changed steadily. In one sense the collapse of prices only emphasised what had been evident for several years: that large oil fields are becoming progressively harder to find, while the reward for finding them looks much less secure.

$80 per barrel is no longer heard even after the brandy at oil dinners, while most corporate plans have to be measured against the possibility of $25 (in 1987 prices) by the end of the century. But even if the price were to go higher, the oil majors are having to admit that the chances of finding more of the 1bn barrel oilfields which made their fortunes in the past are slim, in spite of the enormously improved prospecting methods.

The pruning at Exxon has led to a rise in net income despite the halving of oil prices

Mr Rawl, whose steel was tested as a young engineer giving Texan drilling crews a piece of his vigorous mind, now surveys a rather dismal scene in the lower 48 states of the US: "We have explored there with a substantial amount of disappointment," he says, knowing that Exxon has done better than many.

In Alaska, where Exxon's and Atlantic Richfield's discovery of the Prudhoe Bay oil field in 1968 ranks among the major finds of the century, the story has not been much better. "In the last four years the industry drilled about 35 very expensive dry holes in those Alaskan basins. It spent about $5.5bn to $6bn there . . . with essentially no encouragement.

"It is one thing not to find what you are looking for, but if you don't get real encouragement by finding that there is source rock or sand or something . . ." Mr Rawl pauses almost as if he had come in from a hard day's prospecting . . . "it is kind of frustrating.

"There is no sense in just flogging away trying to find something that may not be there. Unless you get a lot more encouragement with another well or two, you could have $200 oil and people are not going to drill in those places."

This does not mean that exploration and development is coming to a halt. Even with a reduced capital and exploration budget, Mr Rawl likes to point out that Exxon is continuing to drill wherever it sees a good prospect and is spending more than anyone else in the industry, including the company's ancient rival Royal Dutch/Shell. "Shell is one of my favourite companies, it's tough to compete with and keeps us all honest," Mr Rawl adds in generous parenthesis.

Exxon, still slightly larger than Shell, has also been acquiring oil and gas assets from companies more distressed for cash. Although it has bought less, proportionately, than Shell, Amoco or Chevron in recent years, Exxon has paid very low prices with an average of only $2.8 per barrel, slightly less than the cost of the 7bn barrels of proved reserves it has discovered by its own endeavours.

In the past three years Exxon bought 500m barrels. "That is the equivalent of a large oil company," says Mr Rawl as if to an invisible Wall Street Jeremiah. "That is not small potatoes."

However, some analysts, like Carol Epstein of Petroleum Analysis, have seen the continued share purchases this year as evidence of a possible loss of direction. "It is a weak move unless the stock is clearly undervalued," she says. "It can be seen as an easy way to push up earnings per share."

Mr Charles Maxwell of the Wall Street broker Cyrus J. Lawrence puts the point in a different way: "Exxon is so strong that it could slowly collapse but remain highly profitable for 100 years."

On the other hand the tiger could be crouching ready to spring. Mr Rawl points out that the bought-in stock, if re-issued, would theoretically enable him to afford another company for $17.6bn—something the size of Mobil or Chevron—by a straight share swap with scarcely any cash changing hands. But Exxon would hardly be permitted under US anti-trust laws to buy an oil company of this size, even if it wanted to. Yet, the other option of moving into growth sectors outside the oil business has been tried by Exxon as well as its larger sisters and has proved a failure.

The nuclear business was sold to Kraftwerk Union of Germany. Reliance Electric never managed to make money out of the super-efficient electric motor which Exxon once believed would revolutionise industrial energy usage, just as its office equipment business failed to convert technological wizardry into a profitable line in office computers.

With hindsight, Mr Rawl, a lifelong oil man, does not seem surprised: "It wasn't that we could not deal with these businesses technologically," he says. "It was a question of psychology.

"In office equipment, you have to do something we are not good at doing — sales and advertising. In the oil business you don't have to come up with a new product all the time: it is a high-technology commodity business."

Some $3bn has been spent on diversification since 1970, but Mr Rawl is anxious to point out that this is "not a very big deal" compared with a total $100bn capital spending in the period.

"So we didn't worry about it and we are just getting to the point where we don't want to keep talking about it," Mr Rawl says, just a shade huffily. Nevertheless, the past failures do revive the question of where Exxon will go next, especially if it is true that conventional oil reserves outside the Gulf are destined to decline.

The days are now long past when the giants of the industry enjoyed vast reserves of cheap Gulf oil, when demand was booming and strategy was, as Mr Rawl puts it, just a question of putting the plans from all affiliates under a giant stapler.

In the next phase of the oil business, when prices rise again (perhaps in the mid 1990s), companies like Exxon will probably have to provide alternatives to conventional oil, possibly by converting natural gas or coal or by extracting it from shale rock. Big costly equipment will be needed, and although shale rock is in abundant supply it has to be crushed and heated in a dirty and difficult process. Exxon has kept research going in these sectors, and Mr Rawl is confident that such "exotic" oil supplies could come in to the market at $30 to $35 per barrel or perhaps even less.

"When I went to work in the oil business 35 years ago nobody had a clue that it would look like it does right now. And when Standard Oil of New Jersey started 105 years ago they were just muscling into the whale oil business for lighting lamps, so I can't forecast . . . .

"I can tell you that in the next 25 years a lot more petroleum will be found; but it won't replace our current resources."

Taxman's windfall

If you had the good fortune regularly to receive cheques for more than £10m, you would probably want to get them into the bank as quickly as possible.

That is what Dave Fletcher thought. And, although it has taken more than eight years, he has just been given £9,000 for having the idea.

Fletcher is a collector (higher grade) at the Inland Revenue computer centre at Shipley, West Yorkshire. In 1979, he suggested that incoming bumper cheques should be paid direct into the Bank of England on the day of receipt to earn extra interest.

He pointed out that the cost of sending a courier to London from Shipley, or from the Scottish collection centre at Cumbernauld, would be more than offset by the interest gained.

Although his proposal was rejected at the time, it has since been implemented for the 20 or more £10m-plus cheques the Revenue receives each year. With the assistance of the IRSF, the tax officers' union, Fletcher has belatedly been awarded the biggest sum ever given under the department's 75-year-old staff suggestion scheme.

Predictably, the Revenue is making sure it has the last laugh: while the first £5,000 of the award is tax-free, the rest is subject to the usual claw-back.

Jolley links

Connections count in business, as Steve and Jennifer Jolley, directors of DLB Systems, a company in Cambridge which specialises in devising computer systems for drugs companies, have discovered.

The Jolleys, who are both in their 20s, and Cambridge graduates, started their nine-person company two years ago. With sales to such blue-chip concerns as Hoechst, Pfizer, and Beecham they plan this year to have a turnover of about £500,000.

At least some of this success has been due to Steve Jolley's previous experience in the computer business. After leaving Trinity College, where he studied computing, he worked for Scicon, a software company owned by BP, before starting Torus, another Cambridge computing concern.

Jennifer, a metallurgist, had also been building up her connections in Cambridge, thanks to working for a leading Cambridge engineering firm, Torvac.

The Cambridge links have worked well for the Jolleys. Earlier this year, when they realised they needed a new source of cash to finance their business expansion, friends and business associates stumped up a £100,000 cash injection which has given them the extra finance needed.

In the pink

The Financial Times likes to keep abreast of City bids and deals but according to Robert Thomas, director of bond research at Greenwell Montagu, it plays a more integral role in the sort of merger he is involved in.

He keeps bees at his home in Epping Forest, Essex. And the pink pages of the Financial Times, he says, are best for temporarily separating two swarms of bees occupying a hive.

The separation gives the bees time to pause for thought, and by the time they have eaten through the pages the two swarms will happily merge.

"It does not seem to work with any other newspaper. It has to be two pages of the Financial Times because otherwise the bees get through too quickly and get very irate," he says.

No FT. . . . No comb meet.

Border line

The visit to West Germany in September by Erich Honecker, the 74-year-old East German leader, has posed some ticklish diplomatic problems for his Bonn hosts.

Men and Matters

"I wouldn't worry captain—it's still only a proposed merger with BCal"

There is a touch of Alice's looking glass about the formula devised in Bonn to regulate relations between the two countries. East Germany is not recognised as a foreign country but rather as a state within the German nation.

So how should Bonn go about welcoming the head of this rather special state? Three years ago, when a trip by Honecker to the Federal Republic was last on the cards, the West Germans got round the problem by deciding that Honecker would meet Chancellor Helmut Kohl, not in Bonn, but in rural Bad Kreuznach on the country's western fringes.

This time there will be no beating about the bush. Honecker will be received with full military honours in the capital before departing on a provincial tour, including the Saarland where he was born and raised.

Wolfgang Schaeuble, the jaunty Bonn Chancellery minister who has done the work in organising the trip, claims the higher profile reception now planned for Honecker simply reflects improved relations, underlined by increased travel between the two states, rather than any change in East Germany's status.

But Schaeuble will be meeting Honecker at Bonn airport on September 7 as it is thought inappropriate for Chancellor Kohl to go there himself.

In one way, the guest from East Berlin could even feel discriminated against. Schaeuble makes it clear that he does not think Honecker will benefit from the DM30 "welcome money" from the Bonn government, normally handed out to entice East Germans to come westwards.

Stage craft

Labour leader Neil Kinnock was flattered, if a little bemused, when introduced yesterday by Hank Wangford, the gynaecologist turned country and western singer, as, "a fellow graduate of the Tom Jones school of stage presentation."

Kinnock responded, at a summer festival organised by Cohse, the health workers' union, with a rendering of a few bars of that old country standard, Your Cheatin' Heart.

Predictably he dedicated it to the Prime Minister.

Snap Judgment

From News of Old Girls in a Sussex school magazine: "I saw her in March when I visited an exhibition of her photographs. She loves her work and is never without her camera. . . . One mystery she refused to clear up was the identity of the young man in a blue velvet suit and yellow silk shirt constantly at her side."

Probably her flash attachment.

Observer

Letters to the Editor

Doubts over economic benefits of BA-BCal merger

From Mr D. Sawers

Sir,—The proposed merger between British Airways and British Caledonian has been justified as one step in an inevitable, desirable and universal trend towards mega-airlines, which started in the US as a result of deregulation.

This argument assumes that the mergers in the US were economically justifiable, not just efforts to increase market power; that any economic benefits of greater size are as relevant in the rest of the world as they are in the US; and that these benefits apply to the case of British Airways and British Caledonian.

The most plausible justification for the mergers among US airlines is that passengers like to travel on the same airline, even if they have to change aeroplanes on a journey; so that the bigger the network, the better. How far this benefit from greater size weighs against increased market power as a motive for the mergers is yet to be established.

European airline passengers no doubt share the American preference for through-booking; indeed, British Airways is a major beneficiary of this preference, through its combination of short and long routes and its domination of services from Heathrow.

But the importance of through-booking may well be less outside than inside the US, because route networks differ. So the economic case for larger airlines may well be weaker outside than inside the US. And, as some of the troubles of recently merged airlines show, there are costs from combination to be set against the gains.

British Airways and British Caledonian could hardly obtain the benefits from combining more short and long routes because they operate from different hub airports, Heathrow and Gatwick. The benefits which are left, therefore, are those from greater market power. Unless there are some special circumstances which allow costs to be saved, the case for the merger seems to be commercial rather than economic.

A reference to the Monopolies and Mergers Commission thus seems more than desirable, as you argued in your leader on July 17.

David Sawers,
10 Seaview Avenue,
Angmering on Sea,
Littlehampton, Sussex.

Right to proper telephone bills

From Mr G. Thomas

Sir,—As it now seems generally agreed that British Telecom is capable of making mistakes, is it not time that customers asserted their right to fully detailed and properly justified billing? As it is, you may doubt your telephone bill but you cannot question it.

In the US, every telephone bill breaks down and explains each charge that is made. In particular all non-local calls are listed giving the date, the start and end time of each call, the length of the call, the rate charged and the final cost. Bills are easily questioned and charges justified or amended.

This is not amazing—it is no more than customers should expect. We should demand similar respect from British Telecom.

George Thomas.
17 Campden Hill Sq, W8

Pensions and job mobility

From Mr R. M. D. Malone

Sir,—At the second reading of the Finance Bill, Mr John Major said: "A further purpose of our reforms is to remove, as far as possible, the pension obstacles to job mobility. The House will be well aware of the early leaver problem—the person who changes jobs in mid-career, and whose pension expectations are, in consequence, much reduced. There is no quick and easy solution to that problem."

If solutions are being sought, why is it that at the same time the Government is proposing new obstacles to job mobility?

Before they introduced this legislation, the last employer could top up pensions from previous employments to two-thirds of pay overall as long as 10 years' service was completed.

On the proposed basis, many people will have to be in their last jobs by the age of 40 (and certainly no later than 45 for a man retiring at the age of 65) if they are to get a two-thirds pension.

So, to help Mr Major may we repeat an earlier suggestion we have made, namely that this counter-productive proposal simply be removed from the legislation.

There are a number of other solutions to the problem, such as allowing previous pensionable service to be included when working out the entitlement with the last employer. Or perhaps the real problem is the compression of substantial employer's tax relief into short periods. If so, could not the relief be spread in some circumstances, which might mean that minimum service periods would not be needed at all?

All of these ideas have already been put forward on many occasions, but do not seem to have been heeded. Now the Bill is being rushed through. Is there not still a chance that common sense may prevail when it goes to the Lords?

R. M. D. Malone, Development Director, Noble Lowndes Pensions,
PO Box 144, Norfolk House,
Wellesley Road, Croydon.

Deserving a profit

From Mr J. E. Upton

Sir,—In his recent letter to Names, the chairman of Lloyd's reassured us that the legislation now before Parliament, concerning the taxation of the reinsurance to close, "recognises the commercial realities at Lloyd's."

The proposed legislation treats the premium of reinsurance to close as a tax deductible expense *only if* it produces, "the result that neither a profit or loss accrues" to the reinsurer.

Personally, I joined Lloyd's to make a profit; yet, half my annual premium income is received as reinsurance to close the risks and liabilities of other underwriters. If the commercial reality at Lloyd's is that half my business must now be transacted without expectation of profit, then I do not want that half of the business.

In fact, any underwriting agent who accepts risks and liabilities on behalf of his Names, without expectation of profit, will be acting in dereliction of his duty as an agent. Where, then, shall I find an underwriting agent to accept the reinsurance to close my outstanding risks and liabilities at a premium, acceptable to both his Names and the Inland Revenue?

The legislation, as it is currently proposed, must not be enacted. It fails to recognise the commercial reality that Names only join Lloyd's in the expectation of profit from the acceptance of risk. The liabilities transferred, on the acceptance of other underwriter's reinsurances to close, form the biggest aglomeration of risks accepted by every Name. We deserve to expect a profit from them!

J. E. Upton,
Upton Underwriting Agencies,
Corn Exchange,
52-57 Mark Lane,
London EC3R 7NE.

No cold water on Eurotunnel

From Ms J. Williamson

Sir,—I read with interest the letter (July 14) from Mr Finney, Director, British Ports Association on the Eurowestport feasibility study carried out by PIEDA for the Clyde Port Authority and the Industry Department for Scotland.

Mr Finney has rightly interpreted the report's main conclusion that the Channel Tunnel is unlikely to create major new market opportunities for British ports and I would agree with many of the points which he has raised. However, there are two factual points in his letter with which I would take issue.

First, light dues are not an important cost element on a *per container* basis and as far as using the UK as a land base for transhipment to Europe is concerned, the costs of land transport are far more important.

Second, our report does not explicitly or implicitly criticise the traffic forecasts produced by Eurotunnel, Freightliner or British Rail and, therefore, I do not accept the statement that our report "pours some cold water" on Eurotunnel's traffic forecasts.

Judith Williamson,
Consultant, PIEDA,
10 Chester Street,
Edinburgh EH3 7RA.

South Africa transmission

From Ms D. Hills.

Sir,—I am happy to be able to give some insight into your article, TV workers to continue fight against apartheid (July 15).

This company, TVi Limited, is one of the two companies which Alan Sapper is referring to when he says the ACTT (the Cinetechnicians' Union) recently prevented some companies from transmitting to South Africa. We were the company prevented from transmitting Wimbledon. The required transmission was, however, undertaken by a direct competitor of ours, at the required hour, and that competitor is a fully ACTT crewed company.

TVi is a small company of 102 employees. Its profitability will be a determining factor in ensuring the continued reinvestment in and development of this industry—something which ought to be a priority for the ACTT if they have any intention of justifying a role in the future. It would seem that the ACTT is more interested in dabbling in international politics than in caring about the well being of its members.

Deborah Hills,
Managing Director,
TVi Limited,
142 Wardour Street, W1.

A welcome charge

From Mr G. Chichester

Sir,—Although one highly desirable consequence of the introduction of the community charge should be a higher turnout in local elections, it should also embrace all residents not eligible to vote and therefore go beyond being a poll tax.

Joe Rogaly (July 11) rather undermines his criticisms by giving an incomplete view of the proportion of local spending borne by rates and out of national taxation, since he omits the significant amount covered by charges and rents. He also has given a slanted view by being selective in his comparison of the present level of rate support grant with the astronomic levels achieved by a Labour Government in the 1970s and failing to go further back in time to achieve a more balanced view of the trend.

Rates are a grossly unfair tax. They bear no relation to ability to pay. They bear no relation to benefits or services received. They have a pitifully small connection with electoral accountability for the domestic ratepayer and none at all for the commercial ratepayer. They are based upon valuations which are chronically out of date and grossly distorted to the disadvantage of regions most in need of economic activity.

I welcome and look forward to the impact the community charge will have upon electoral accountability. I urge those concerned about gainers and losers to reflect upon the redistributive effect of a universal business rate in favour of the regions in need and to reflect what their own rate bill would be in the event of a revaluation. And I hope all those on whom the community charge will bear will grasp the financial implication for them of local authorities, or individual schools, opting out of their local education authority in favour of grant maintained status funded centrally.

Giles Chichester.
Chairman, Two Cities Branch (London and Westminster),
Small Business Bureau,
9, St James's Place, SW1.

Inequalities in education

From Ms J. Shepherd

Sir,—Mr Rogaly (July 9) wrote of the way in which the UK and US education systems are following a similar direction as their respective Conservative Governments pursue their radical policies, taking choice away from local government and placing it in the hands of the "consumer." This, Mr Rogaly says, is society's natural reaction to the betrayal by teachers over the past three decades. Mr Hopkinson (July 14) cringes at the comparison, British education being far superior. Anyway, he says, reintroducing the grammar system may be "all that is required." For opposite reasons they explain or justify this right-wing backlash of traditional style education.

But have we forgotten already the vast inequalities and social damage caused by this antiquated system? Perhaps some of us were not prey to it. Hardly have we flushed it from society and plans are being made for its reimplementation. If the comprehensive system has shortfalls, surely it is at least heading in the right direction; that is to provide an equal education for all children regardless of background or, for that matter, parents (the consumer), who, let's face it, are certainly not always the best judge of their children's or society's educational needs and priorities. Abandoning the path of the comprehensive system at such an early stage in its life would, I believe, be tragic.

The new Government policy will once more encourage greater divisions in educational facilities and provisions. Bleak memories flood back of the pathetic choice of subject options on offer at the local secondary modern, while at the grammar an infinite number seemed to be available to all. Without wanting to sound melodramatic the psychological effects are obviously substantial. After such early categorisation into "passers" and "failures," expectations were worlds apart with, I would say maybe 5 to 10 per cent of secondary modern students being encouraged to do "A" levels (if that), while it almost went without saying that grammar school pupils would pursue "A" levels and then probably a stint at university.

I am not necessarily singing the praises of over-enthusiastic expectations of children, and I am not saying that the Government plans will produce exactly the same system as before, but I am sure that these plans will create that fundamental division between "successful" and "second-rate" schools.

Vast inequalities obviously continue to exist within our education system, but we should make them a thing of the past, not of the future.

Jane Shepherd.
Trowbridge Estate,
London E9

Rates reform encore

From Mr D. Lindsay

Sir,—The Government is to be congratulated on its courageous proposals to reform the rating system and on its resolve not to be put off by any specious "winners and losers" argument.

Let it now show the same courage and the same resolve in remedying the inequities in personal taxation and the gross injustice of unequal state pension ages. Then the Prime Minister can, once again, say: "They said we couldn't . . . . but we did it."

David Lindsay.
36 Orchard Coombe,
Whitchurch Hill,
Reading, Berks.

How to ensure a productive future for the world's farmers

From Mr J. N. Coleclough

Sir,—John Cherrington, in Farmers Viewpoint (July 14) talked about facing up to disintensification and made the point that he believed this to be the Minister of Agriculture's only positive policy.

I think he may well be right, but unfortunately this is the British view and it is a view which is not shared by the rest of Europe.

The historical perspective of most Europeans includes the memory of starvation and deprivation that occurred during the Second World War. In the UK our problem was limited to food rationing.

Unfortunately too, we only have a very small number of people regarded as farmers, less than 225,000. In the remainder of Europe there are some 10.4m farmers and their dependents and that is a sufficient number to be politically important.

One of the current problems is that everybody assumes the cost of funding the EC to be enormous, but it is such a minuscule amount of money bearing in mind the 321m people that are part of the EC—it is not often put into its proper perspective.

If you take an all-up cost of support of being £22bn, this only equates to 18p per day per person in the EC, or about the cost of a stamp.

Of course, having said that, the problem that has to be addressed is, where lies the future?

The capability of farmers world-wide to increase production is only just starting. World-wide production of cereal crops between 1974 and 1984 grew 29 per cent. Is this a bad thing? It is a renewable asset that can be grown every year. The potential is there to produce a great deal more. The problem is finding the market for it.

The solution may well be to divert some of the funds being used for storage of excess production into the development of processes and turn what we currently call food into industrial raw materials.

If that could be achieved and we could reduce our reliance on finite oil-based products for annually replaceable natural products, then we would satisfy the growing "green revolution," ensure a long-term future for the world's farmers and, at the same time, maintain their self respect and the control of the countryside by people who understand it best.

Jeremy N. Coleclough,
managing director,
Opico Limited
South Road,
Bourne, Lincs.

FOREIGN AFFAIRS

Mr Reagan's militant tendency

By Jurek Martin

"FOREIGN POLICY," Professor Arthur Schlesinger wrote recently, "is the face a nation wears to the world."* What the world has to work out now is whether the real American visage is that of Lt-Col Oliver North and those (alive, dead or napping) with whom he worked, or something or somebody more rooted in the nation's character and history.

It is no idle question. Mrs Thatcher charged off to Washington last week quixotically and ostensibly to proclaim her faith in the man on whose watch and in whose name all manner of things were done. Probably her mission was no more than tactical, to ensure that policy is not frozen for the next 18 months in a morass of domestic American recrimination. Perhaps it was strategic, a reaffirmation of the common values she believes should constitute the mainstream of Western thought for years to come.

If the latter, the world has a problem. For it is far from clear that Reaganism—as exemplified by such licensed operators as Col North, Admiral John Poindexter and former Col Robert Macfarlane—represents anything more than an ideological aberration created from a particular snapshot of historical time.

It has long been apparent, though not readily admitted by European conservative governments, that the current US Administration contained members and espoused policies sharply at variance with most of what had gone before. Earlier reservations had been expressed about President Jimmy Carter's team and philosophy. Both seemed, to such supreme transatlanticists as Helmut Schmidt, to be insufficiently imbued with either a sense of history or much practical experience.

In the end, however, the influence of such establishment pillars as Walter Mondale, Cyrus Vance and Harold Brown smoothed out the rougher and more uncomfortable edges of Mr Carter's passions for disarmament and the pursuit of civil liberties. If Mr Carter had a "loose cannon," it was Zbigniew Brzezinski, and he was no crude Georgian.

At no stage in the Reagan years can a comfortable balance be said to have existed between traditional self-interest in the practice of foreign policy and the pursuit of ideological aims. Mr Reagan's two Secretaries of State, General Alexander Haig and Mr George Shultz, both establishment figures, never asserted their authority with any consistency—the former because he tried too hard to do so for the wrong reasons and at the wrong time, the latter for reasons which are harder to divine.

In fact, the nature of the Reagan Administration was set in concrete very early in its term. Those convinced that all that had preceded—and not just in the Carter years—was misguided were implanted in the Washington bureaucratic woodwork at a deeper level than before. Some were indisputably able—Richard Perle at the Pentagon is an example—but their quality mattered less than their ideological purity.

The State Department itself was eviscerated — quite deliberately, since to the true believers it represented the sort of accommodationist approach which enabled the Soviet Union to approach equal global status with the US. Nor is this process necesarily complete; a fine career diplomat, Mr Arthur Hartmann, was recently abruptly removed as US ambassador to the Soviet Union in favour of a true believer.

Over 200 plus years, US foreign policy has known its fluctuations, from periods of engagement to times of withdrawal from the affairs of the world. It has also flirted with ideology—but rarely, if ever, to the point of dominating national policy. History suggests that de Tocqueville was probably right when he wrote that "in no country in the civilised world is less attention paid to philosophy than in the US." That is, until the Reagan revolution.

> 'No civilised country has paid less attention to philosophy than the US' – that is, until the Reagan revolution

The revolution had a number of origins, not the least of which was a curious contempt for legal constraints. If there is a villain in the demonology of the Reaganauts greater even than the head Russian, it is Earl Warren, the outstanding "liberal" Chief Justice of the Supreme Court of the 1950s and 1960s.

He—so the indictment of him runs—managed to hamstring American initiative by saddling it with rules and regulations (that is, laws) in the name of liberty and justice for all. Earl Warren was a Californian, and a Republican to boot, compounding his perceived sins. It matters that men like Edwin Meese, now the Attorney General, and William Casey, the late CIA director—both apparently privy to Irangate's extra-curriculum activities—are known to have chafed under the Warren bit. So, in his days on the public relations circuit for General Electric, did Ronald Reagan.

Nor, in the same context, can the legacy of the Vietnam War be ignored. It has long been a tenet of the new right that the war would have been won in the paddy fields and the jungles of Vietnam, but for interference by the legislature and courts of the capital city. Col North said as much last week; the war had been lost "right here in Washington."

Add to this mix a president who appeared invulnerable, a once tractable and still not very attractive Congress and the inclination of the media age to have life imitate art, and the circumstances which brought about Irangate are not that mysterious. Nor should it surprise that there seemed nothing wrong in the belief that the ends could justify any means; or that the President could be considered "above the law," at least so far as the Boland Amendment prohibiting aid to the Contras was concerned.

Of course, US Presidents have broken or bent the law in the past and deliberately omitted to tell Congress about key initiatives. FDR did so, knowingly, in providing material assistance to Britain before Pearl Harbor; both Eisenhower and JFK permitted the CIA a licence that ran far beyond its legal charter; Nixon did not seek approval before despatching Kissinger to open doors to China. But, with the possible exception of some of the CIA's more outlandish plots, these were more than merely "neat ideas" designed to play well to the popcorn audience in the circle. Just as relevant is the fast that the free-lance operators employed by previous Presidents have not been middle ranking military men.

Not everything the Reagan administration has entertained in foreign policy has been ideologically reflexive or extra-curricular. It has been sensibly pragmatic in recognising winds of change in the Philippines, Haiti, and most recently in South Korea. The Reykavik summit apart, it has not been bad about consulting its Western allies. But the tendency is still there and is most evident in those parts of the world — the Middle East, Central America and perhaps still in dealings with the Soviet Union — where the Administration's emotions and ideology remain too close to fever pitch, and where thought is not necessarily the most prized commodity.

Professor Schlesinger, revering American traditions as much as President Reagan, reckons the Founding Fathers got it right when they declared that the fledgling nation should pay "attention to the judgment of other nations," for reasons of self-interest. Not the least of these is that "independently of the merits of any particular plan or measure, it is desirable, on various accounts, that it should appear to other nations as the offspring of a wise and honourable policy." The Founding Fathers, of course, were not familiar with the words "neat idea."

*The Cycles of American History, by Arthur Schlesinger, Andre Deutsch, £14.95.

FINANCIAL TIMES
Tuesday July 21 1987

Ivo Dawnay unravels the proceedings at the Brazilian ruling party's convention

Confusion reigns in Sarney's court

AFTER two days of indescribable bedlam - football chants, barracking, banner waving, swapped insults and the occasional paper dart - Brazil's dominant Democratic Movement Party (PMDB) closed its extraordinary convention on Sunday in true character. It decided to do nothing.

The party, whose motto could justifiably be "unity is weakness," had demanded the meeting in order to hammer out a common position on the length of President Jose Sarney's mandate and the choice between a presidential or parliamentary system of government.

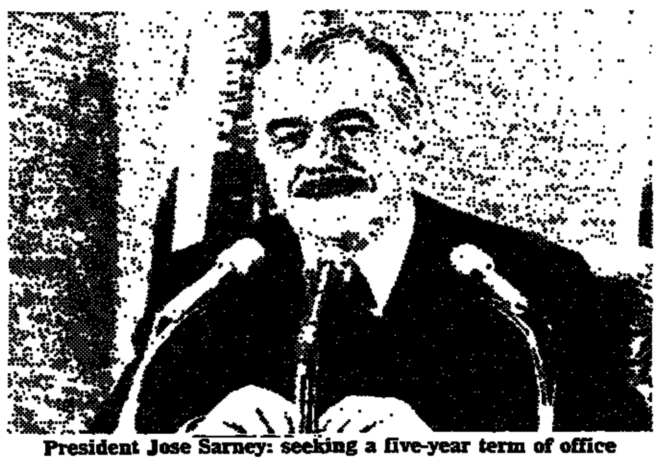
What it actually revealed was the polarisation of the party's progressive and conservative wings and that only indecision could bridge the gaping credibility gap between them.

The first of the two crucial issues - the presidential term - has taken on a symbolic importance far beyond the merely constitutional.

Partly in consequence of the constant demand for a decision from Mr Sarney himself, it has become a litmus test of loyalty to an administration which the PMDB's left regards as betraying its social democratic, progressive traditions.

The 724 delegates gathered in Brasilia this weekend faced three choices as to how to proceed in the national assembly which is drafting the new constitution.

They could vote for a five-year term of office as Mr Sarney has demanded; they could confront the administration by opting for four years; they could postpone the final decision until November, leaving PMDB congressmen to take their positions when the framework of the constitution is better known.


President Jose Sarney: seeking a five-year term of office

Their conclusion to opt for the latter is owed principally to the skilful pragmatism of Mr Ulysses Guimaraes, the party president, and the power of the state governors to swing votes through offers of favours or threats of revenge.

But the underlying struggle for the party's soul now goes to the roots of Brazil's political debate - whether the country should press ahead more rapidly towards greater social equity, substantial land reform and a large scale redistribution of wealth, or if these processes should evolve in a much more gradual timeframe.

With the PMDB's 300-plus seats in the 559-seat congress straddling the entire centre ground of Brazilian politics, the floating voters hovering between the two postions are crucial.

Late on Saturday night, the view of Mr Fernando Henrique Cardoso, the PMDB's senate leader and a shrewd analyst, was that the progressive wing could not win the four-year vote. Despite his support in principle, the Senator favoured delay to defeat.

"It's just not serious for a party to change so dramatically just because Mr Sarney says he wants five years," he said. "We are not organised enough, and we need to know what the constitutional rules are before we vote."

For the right, a series of conflicting messages were coming from the President's staff in the nearby Planalto Palace. First, he appeared to favour a vote, confident in victory for the five-year lobby.

Then, after the convention surprised everyone by voting 477 to 270 that it would proceed by secret ballot - thereby relieving many of the pressures of prior commitments - the order is said to have switched to the delay option. This, and its chief proponent Mr Guimaraes, eventually proved victorious by 458 votes to 360.

The other great victor of this bizarre melee was Mr Mario Covas, the PMDB's maverick leader in the assembly, who has consistently championed 1988 elections (the four year term) as essential to complete the transition to democracy.

Though Mr Covas was beaten in the vote, his impassioned speech for the PMDB to return to its origins as "a lyrical party, of dreams, of utopias, of victories and of struggles" brought even his opponents to their feet and ended with a tear-jerking mass rendition of the anthem.

Triumphant in defeat, Mr Covas won the moral argument with a snap newspaper poll of 470 delegates yesterday, giving him 20 per cent of the vote as preferred presidential candidate, far ahead of the next preference, Mr Guimaraes, at 7.7 per cent.

For foreigners weighing the country's political risk, not least the banks' credit analysts, the confused events in Brasilia this weekend can have only one consequence - the Brazil file goes back to the pending tray.

Morocco surprises EC with application to join

By Tim Dickson in Brussels

KING HASSAN II of Morocco yesterday took the European Community by surprise with a letter indicating that his north African kingdom intends to apply for membership of the world's largest economic and political club.

Reaction in Brussels, where the letter was delivered by his Foreign Minister, Mr Abdellatif Filali, to the Danish President of the EC's Foreign Affairs Council, Mr Uffe Elleman-Jensen, was confused but sceptical.

Mr Elleman-Jensen said last night that the issue would be discussed at the next meeting of Europe's foreign ministers in September; but he also stressed the clear legal obstacles lying in the way of Moroccan membership.

In particular, he alluded to article 237 of the Treaty of Rome which states that any European country may apply to join the European Community though, as one senior diplomat in Brussels pointed out last night, "It does not specifically say that non-European countries may not apply."

Nevertheless, most observers privately feel that the Moroccan move - it was not entirely clear whether the letter represents a formal application or simply the intention to apply - is unrealistic and is almost certain to be thrown out.

They point out that, despite the country's close links with Europe (notably following the accession of Spain and Portugal to the Community at the beginning of last year) and Mr Filali's recent declaration that the country is "part of the West", Morocco is simply not European; that its goods already enjoy generous access to European markets; and that the Community is currently grappling with the considerable challenge of Turkey's request for membership.

The application from Ankara, which is currently being considered by the EC, poses more than just a dilemma for Greece, which has been noisily threatening to veto the idea if it is recommended in Brussels.

As a poor country with a rapidly expanding population and a large agricultural base, Turkey would impose new economic pressures on the Community just as it is struggling to absorb the new Iberian partners and complete the internal market.

The same arguments, diplomats say, can be levelled at the Moroccans.

Then there is a political problem of the Western Sahara, the old Spanish Sahara where Morocco's territorial claim is not recognised by Britain and other members of the twelve.

Speculation last night centred on the possibility that, by lodging an application at the moment, Morocco is hoping to improve its bargaining position in future negotiations over its association agreement with the EC.

Mr Elleman-Jensen said he was "very happy to have received the letter" and interpreted it as a "clear signal of Morocco's European orientation and desire to keep close relations with the EC ... and its wish to strengthen these close ties".

Francis Ghiles in London adds: Ever since he ascended the Moroccan throne 26 years ago, King Hassan has worked hard at casting his country as the natural bridge between Western Europe and the Arab world and Africa.

Western Europe accounts for two-thirds of all the Kingdom's non-oil imports and purchases three-quarters of its goods.

Thirty one per cent of Moroccan exports go to France and Spain, which together buy 39 per cent of all the Kingdom's goods.

In its efforts to preserve its competitive advantage vis-a-vis Spain and Portugal, its principal competitors in western Europe, where fresh fruit and vegetables, leather and textile goods are concerned, Morocco has called for special treatment beyond that being granted to other Mediterranean basin countries.

Moroccan officials argue that the accession of the two Iberian countries will cost it 2 per cent of its gross domestic product.

Morocco's case is, however, at bottom, based more on political and geographic considerations, such as the Kingdom's firm pro-western orientation and its strategic value to the west, rather than on straightforward economic factors.

It also comes at a time when Algeria is actively seeking out Libya in an effort to convince Colonel Muammer Gadaffi to join the treaty of non-aggression which already binds Algeria, Tunisia and Mauritania.

Were Libya to join, Morocco might feel somewhat isolated, at least in the context of Maghrib diplomacy.

THE LEX COLUMN

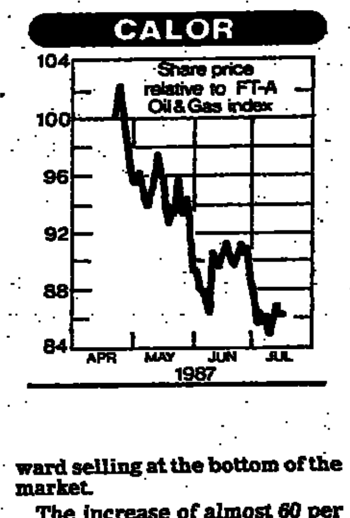
Some like it cooler

There is nothing like an indication of an economic boom to give gilt-edged the jitters, and these days the equity market does not lag far behind. So with June retail sales revealed to have bounced confidently upwards in yesterday's figures, and with economists pushing up their economic growth projections, the monetary consequences were the cause of considerable unease.

Thus sterling lending jumped by a whopping £4.7bn in the month to mid-June, more than offsetting all the good done by the swing in public sector finances to a rare position of net debt repayment. Private sector bank lending, of course, can often be a mirror image of public sector financing; but in this case the second instalment on British Gas, a major cause of the June public sector surplus, should have been less likely to trigger private sector borrowing than, say, a surge in corporate tax payments would have done.

The housebuying boom, with its associated durables spending spree, continues in full swing. Employment, and the earnings therefrom, are buoyant. The immediate risk is that the adverse import consequences will show up in tomorrow's delayed May trade figures, but even if there are no immediate alarms on that score there will be fears that interest rates will have to start rising before the end of the year, if only to moderate the economic boom rather than end it. Such a scenario does not give gilts, yielding just over 9 per cent at the long end, any grounds for enthusiasm.

Calor Group



A central objective of the demerger of the Imperial Continental Gas Association was to awaken the City's interest in the Calor Group. Unfortunately investors' eyes now seem to glaze over at the sight of Calor, in much the same way as they used to with IC Gas. The problem is that SHV's 29.9 per cent stake is seen not as a platform for a full bid, but as a block against any other bidders. In fact Calor's first set of results are not that dull - earnings were up by over 14 per cent, despite the collapse of profits from oil operations. But perhaps that activity should' not have suffered as much as it did: the average sale price of £8.90 a barrel looks very low, and suggests some unwise forward selling at the bottom of the market.

The increase of almost 60 per cent on margins in the LPG business is the real eye-opener, and reflects the stronger terms enjoyed by Calor in its negotiations with the refiners. But there must be a danger that the Monopolies Commission will use this new level of profitability as reason for another look at the bottled gas business. If Calor makes £50m net this year, then the shares are on a multiple of only 13 times earnings, but there are few signs that the discount to the market will narrow.

Grand Metropolitan

The fact that US institutional investors have shown a growing interest in leading UK companies while those same companies have been snapping up US corporate assets at an uprecedented rate, might suggest a remarkable preference for UK managers over their own. It also suggests that whoever is advising the investors is confident that the current wave of UK takeovers in the US will not repeat the mistakes of the early 1980s.

Yesterday's news of Grand Metropolitan's sale of Quality Care for $102m – bought in early 1985 for $124m – might have been especially designed to shake that confidence. Although the dollar loss is said to be a mere £13m, the currency movement could scarcely be worse and the book loss in the UK accounts will be about £30m. Fortunately there are plenty of reasons for not seeing this upset as symptomatic either for Grand Met or for UK companies in general.

Grand Met's strategic US management - now departed - became so obsessed, in the early 1980s, with demography that they forgot about everything else. While focusing on the growing army of the elderly, and the very young, was sensible enough, Grand Met did not buy companies where it could apply its knowhow in branded goods. Quality Control was also hit by a surge of competition following a tax change which induced hospitals to push out patients before they had fully recovered. The sale should not damage the rehabilitation of Grand Met and may indeed be seen as a cleansing break with the past leadership. As well as starting to tidy up the rather fragmented US portfolio, yesterday's decision may even attract a few US investors, who have - understandably - given Grand Met a wide berth to date.

BAA

If ever proof were needed that this Government will go to extremes to avoid ballotting applicants for shares it is selling, then the BAA basis of allocations provides the necessary evidence. To limit allocations to tiny parcels of 10C shares is itself peculiar: a week earlier the vendors had set a minimum subscription level of 150 shares, with the implication that anyone who wanted fewer should not bother applying.

The decision to throw out any applicants for more than 1,000 shares is at least as vicious as any reasonable ballot, with the difference that a ballot gives everyone a chance, while this method has given 13 per cent of applicants no chance at all. The route chosen is clearly motivated by the Government's desire to broaden share ownership as widely as possible, and also to show its solidarity with the tiny - as opposed to the merely small - investor.

The City would be wrong, however, to look back nostalgically to the British Telecom offer, in which applicants for up 100,000 shares were allotted stock. The BAA method at least makes sure that large applicants will not have their cheques cashed, avoiding the risk that they would lose more on interest foregone than could be recovered in profits on minute allocations.

UK futures exchange rejects SE merger plan

By Alexander Nicoll in London

THE BOARD of the London International Financial Futures Exchange yesterday rejected a merger proposal from the London Stock Exchange. It agreed, however, to come up with its own proposals for creating a single financial futures and options market in London.

The stock exchange had suggested that it absorb the futures exchange to create a derivative products market which would have combined Liffe's futures and options business with the stock exchange's traded options market.

Under the plan, the new entity would have had a degree of independence within a federal structure.

The Liffe board, however, was not confident that the new market would have sufficient independence from the Stock Exchange Council. Members observed that the Council currently takes all major policy decisions.

The independence is needed, Liffe feels, in order to ensure that the futures and options market has the flexibility and spending power to develop new products.

Such products could, like many of Liffe's present contracts, have little relationship with the Stock Exchange's main markets in gilt-edged securities and equities.

The Stock Exchange had argued that the creation of a single market authority for securities, futures and options markets would enable London to compete more effectively with other financial centres.

Liffe members agree that a single market for derivative products should be created, incorporating Liffe and the Stock Exchange options market. This would reduce membership, transaction and clearing costs and avoid overlapping between the two markets. Both currently offer gilt, currency and currency options.

Liffe will now work on its own proposals and will discuss them both with the Stock Exchange and its own members.

Volume both at Liffe and in the Stock Exchange options market has risen dramatically with last year's Big Bang reforms. At Liffe, the increase has driven up seat prices, which now stand over £200,000 ($125,000), double their level at the beginning of the year.

Grand Metropolitan sells US nursing services chain

BY MIKE SMITH IN LONDON

GRAND METROPOLITAN, the UK food, drinks and hotels group, announced yesterday that it is selling Quality Care, the US home nursing services company which it bought less than three years ago as part of a much-heralded expansion in branded consumer services.

The buyer, Lifetime Corporation, will pay $102m in cash, which is $13m less than Grand Met paid for Quality Care in January 1985.

Lifetime claims to be third largest provider of home health care personnel in North America. It says figures for the past four months suggest annualised net revenue of $153m and operating income of $9.4m.

Mr Allen Sheppard, Grand Met chairman and chief executive, also revealed yesterday that the group was considering the future of Children's World, the kindergarten chain which was one of the two other branded consumer services groups it bought as part of the same strategy. It had no plans to sell Pearle Health Services, the eye care chain which was bought for $385m and was the third in the series of acquisitions.

Analysts welcomed the Quality Care sale. One said that Grand Met's decision to buy the company had been the result of over-confidence and over-ambition. The disposal reflected tighter control being exercised by central management following the appointment of Mr Sheppard at the end of last year.

The disposal is the latest Grand Met deal in a series aimed at withdrawing from peripheral activities and concentrating on core operations. The biggest acquisition was announced in January when the group said it was paying £800m for Heublein, the US drinks company . Last month it said it was disposing of its Contract Services Division in a £160m management buyout.

"We cannot be everything to everybody," Mr Sheppard said yesterday. "In the sectors we remain in we are going to play for keeps."

Grand Met's difficulties with Quality Care can be gauged by the subsidiary's performance in the year to the end of last September when sales of $160m resulted in pre-tax profits of $7.3m. That was only marginally above the $7m the company made in the year to the end of November 1984.

The disposal will reduce Grand Met's gearing by more than 6 percentage points. Mr Sheppard said the group was now on target to achieve its aim of reducing gearing to the 70s. Following the Heublein acquisition it had reached 120 per cent.

When Quality Care was acquired Grand Met, which does not account for intangible assets in its UK balance sheet, wrote off the goodwill element. As a result the sale will give rise to an extraordinary gain over book value of £50m.

Mr Sheppard said said the Children's World subsidiary was performing satisfactorily but Grand Met was evaluating whether it fitted in with its US portfolio. "The problem is its size: annual profits are only around $3m to $4m," he said.

UK plans changes in research funding

BY DAVID FISHLOCK IN LONDON

THE UK Government plans sweeping changes in the management and funding of research and development, including a restructuring of university science programmes.

Under the plans, published yesterday in a White Paper, Mrs Margaret Thatcher , the prime minister, will personally take charge of the country's civil research and development programme.

The proposals, which place a strong emphasis on exploiting the economic potential of research, were drawn up following sharp criticisms in January from a House of Lords select committee of the £6bn-a-year ($9.66) research effort. The Lords said the strategy lacked co-ordination, particularly in the way research was applied to industry.

The Cabinet Office science secretariat, headed by Mr John Fairclough, seconded from IBM as the Prime Minister's chief won two major battles in drafting the government's response to the Lords' report.

One was to secure Mrs Thatcher's backing for the plan, and the other was with the Ministry of Defence to limit what was seen as a disproportionate allocation of scientific resources to defence.

An accompanying report from the Advisory Board for the Research Councils, as scientific advisers to the department of Education and Science, provides strong support for the changes.

Under new machinery outlined in the White Paper, Mrs Thatcher will chair a committee which will be advised by a new technical team called the Advisory Council on Science and Technology (Acost).

As the White Paper puts it, Britain's future procurement policies will make more discriminating and economical use of the country's research and development resources. They are intended to lead to a gradual reduction in the real level of defence R and D over the next decade.

Syrian to join Soviet space mission

SYRIAN Minister of Defence Mustapha Tlas arrived in Moscow yesterday to watch the launch of his country's first cosmonaut into space, **Reuters reports from Moscow.**

Lieutenant-Colonel Mohammed Faris, a 36-year-old air force pilot from Aleppo, will make Syrian history on Wednesday when he joins a 10-day mission with Soviet cosmonauts Alexander Viktorenko and Alexander Alexandrov.

Their Soyuz TM-3 will blast off from the launch centre in Kazakhstan. They will orbit for two days before docking with the Soviet space station Mir, where cosmonauts Yuri Romanenko and Alexander Laveikin are working as part of a long-term project.

Mr Tlas, who is also deputy prime minister, was accompanied by a number of Syrian military officials.

World Weather

		°C	°F			°C	°F			°C	°F			°C	°F
Ajaccio	S	29	84	Dubrovnik	S	31	88	Malta	S	35	95	Rhodes	S	32	90
Algiers	F	29	84	Edinburgh	C	15	59	Manchester	C	16	61	Rio de J'o	C	32	89
Amsterdam	C	19	66	Faro	S	25	77	Manila	C	33	91	Rome	S	34	93
Athens	S	39	102	Florence	F	30	86	Melbourne	F	11	52	Salzburg	S	23	73
Bahrain	S	39	102	Frankfurt	R	23	73	Mexico City	S	27	81	San Francisco	C	20	68
Bangkok	S	33	91	Funchal	F	21	73	Miami	C	30	86	Seoul	C	31	88
Barcelona	F	24	75	Geneva	C	22	72	Milan	F	27	81	Singapore	C	31	88
Beirut	C	30	86	Gibraltar	S	26	79	Montreal	C	24	75	Stockholm	C	21	70
Belfast	F	20	68	Glasgow	C	17	63	Moscow	C	15	59	Strasbourg	F	19	66
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

Readings at mid-day yesterday
C-Cloudy D-Drizzle F-Fair Fg-Fog H-Hail R-Rain S-Sun Sl-Sleet Sn-Snow T-Thunder

Steel output cuts

Continued from Page 1

lowed to continue with only part of the output controls which are allocated to them from Brussels.

If they wanted to produce over that limit, they would have to pay for the privilege into a fund to assist less efficient companies to close - a suggestion which has infuriated the UK, which does not see why a profitable British Steel should have to pay for production which belongs to it by right. However, the attraction of Mr Narjes' idea is that it depends on a clause in EC steel law that only needs the support of a majority of member states to be put into effect. This is important in view of the fact thatthe Commission scheme is almost certain to be blocked by Britain and could get a critical reception from the Netherlands and West Germany.

A simpler fund raising scheme, believed to be supported by Mr Peter Sutherland, the Competition Commissioner, would impose a straight levy on output of steel products still under the quota system. While easier to operate, this second option would legally need member states' unanimous agreement - and theoretically could risk the future of the whole package.

SECTION II – COMPANIES AND MARKETS
FINANCIAL TIMES
Tuesday July 21 1987

Occidental poised to offer stake in IBP

BY WILLIAM HALL IN NEW YORK

OCCIDENTAL PETROLEUM, the international energy group headed by the 89-year-old Dr Armand Hammer, yesterday confirmed widespread rumours on Wall Street and said it was considering a public offerring of stock in IBP, the biggest US meatpacker.

Occidental acquired IBP, formerly known as Iowa Beef Packers, in 1981 for $800m. The company operates 10 beefpacking plants in eight states and four pork packing plants.

Last year the company slaughtered 7.9m cattle and 4.4m hogs and is close to completing a new plant in Northeast Iowa which will be the world's largest volume, most technologically advanced pork plant.

The group's diversification into the agribusiness has met with mixed success and there has been growing speculation in recent months that Dr Hammer would seek either to sell or spin off IBP.

This would reduce Occidental's heavy debt burden and enable top management to concentrate on its core energy operations.

Some Wall Street analysts have estimated that the business is worth more than $1bn and prior to yesterday's announcement there had been rumours that Occidental was hoping to raise around $600m by selling a 49 per cent stake in IBP to the public.

Occidental refused to speculate on the size of the proposed offering or the sum of money it planned to raise. In a brief statement from its Los Angeles headquarters it said it was considering a public offering of common stock of IBP which, if consummated, would result in public ownership of a substantial minority in IBP.

Prior to any such offering of IBP common stock, IBP would incur borrowings, a portion of the proceeds of which would be transferred to Occidental and used by Occidental to reduce other outstanding debt.

Occidental stressed that there could be no assurance that the transaction would go through and it was not possible to predict its impact on Occidental.

Schlumberger hit by weak oil exploration activity

BY OUR NEW YORK STAFF

SCHLUMBERGER, the US oilfield services company suffering from weak North American oil exploration activity, yesterday reported a halving of its second-quarter net income to $30.1m or 11 cents a share.

The latest quarter compares with earnings of $78m, or 27 cents a share, from continuing operations in the 1986 June quarter. Last year's results do not include a $23m or 8 cents a share loss from Fairchild, the semiconductor subsidiary which Schlumberger is attempting to shed.

Revenues, excluding Fairchild, were down 14.4 per cent at $1.11bn. Revenues from Schlumberger's core oilfield services business, in which it is world leader, tumbled 22 per cent to $541m.

Schlumberger stock, which recovered strongly this summer as oil prices picked up, was unchanged yesterday at $50¼.

However, Mr Euan Baird, chairman, said that all operating groups had better results than in the depressed first quarter, when Schlumberger reported earnings of $5m, or 2 cents a share.

"In particular, due to the very significant cost reductions undertaken in 1986 and improved price levels of our services, the overall results of Oilfield Services continue to improve," he said.

Six-month profits were $35.1m, or 13 cents a share, against $270.9m, or 93 cents, in 1986, which excludes a $67.5m loss from Fairchild. Revenues were down from $2.73bn to $2.21bn.

Unisys overseas sales growth boosts confidence in merger

BY JAMES BUCHAN IN NEW YORK

UNISYS, the US computer company forged last year from the merger of Burroughs and Sperry, yesterday reported second-quarter earnings of $121.2m or 62 cents a share, on revenues of $2.3bn.

The latest results are not comparable with last year's June quarter, which showed earnings of $76.2m on sales of $1.3bn but did not include a contribution from Sperry.

However, earnings per share grew by nearly 15 per cent on a fully diluted basis, confirming Wall Street's recent confidence in the merger. Unisys' stock price has risen by more than half already this year.

Mr Michael Blumenthal, chairman, said that the company enjoyed strong sales growth, especially overseas, and lower costs and improved operating profit margins during the quarter. The result "has increased our confidence that the merged structure put in place in January is settling into place ahead of schedule.

"Our projections continue to show that second half earnings will clearly exceed those of the first half," he said.

In the first half, Unisys earned $231.4m or $1.19 a share on sales of $4.7bn.

Wang Laboratories, the maker of minicomputers and word processors, yesterday reported a return to solid profit in the June quarter, but announced a loss for the year as a whole.

Wang reported earnings of $32m or 20 cents a share in the June quarter, as against a meagre $800,000 or 1 cent a share last year.

However, sales revenues were up 15 per cent at a record $824m, thanks to demand for Wang's new range of minicomputers introduced at the beginning of the year.

For the year to June, Wang reported a loss of $70.7m on sales of $2.84bn.

David Owen takes a look at the Evening Post Project

The latest news from Chicago

WITH COLUMNISTS of the calibre of Mike Royko and Ann Landers, Chicago is reputed to be a great newspaper town.

Yet circulation of the city's two rival morning dailies has, in the words of a Northwestern University associate professor, Mr Abe Peck, "not been especially ebullient of late". In terms of newspaper sales per household among the 30 largest domestic markets, Chicago now ranks 24th, having been second some years ago.

In these rather unhelpful market conditions, a group of experienced newspapermen, including Mr John Malone, a consultant with a formidable track record, and prominent refugees from the defunct Chicago Daily News (an afternoon daily newspaper) are planning to launch a new upmarket evening title – the Chicago Evening Post.

While the project has been on the drawing board, according to one report, since at least 1974 – prompting considerable scepticism that it will ever see the light of day – the signs are that with about $1m of start-up funding still to be raised, the much-maligned venture may finally be close to launch.

Unlike the Daily News, which closed down in 1978 at a time when circulation was still more than 300,000, the Post's projected cost structure is such that, according to its progenitors, breakeven will be "in the order of 100,000".

First-year target circulation is 160,000, drawn primarily from the region's 900,000 or so households boasting annual income in excess of $40,000.

Economies will stem – according to Mr Christopher Thomas, the venture's self-styled vice president of miscellaneous affairs – from full recourse to the by now familiar new technology, low staffing levels – the initial payroll will be only about 160 people – and the contracting out of

> The newspaper's backers believe advertisers will be keen to take advantage of the chance to reach a more precisely targeted audience than that provided by the mass circulation morning papers – the Chicago Tribune and the Chicago Sun-Times. Others are not so sure, especially since the project has been on the drawing board for at least 13 years – prompting scepticism that it will ever be realised. However, the signs are that with around $1m of start-up funding still to be raised, the much-maligned venture may finally be close to launch.

printing to local plants with the necessary time available in the afternoon.

The projected cover price of 35 cents is pitched between the local competition and the nationally-distributed Wall Street Journal and New York Times, and is calculated such that net circulation revenue should cover hard production costs.

These days, this is not always the case in the highly competitive US market. Sales will be confined to the immediate Chicago region.

Start-up costs, including almost $1m already raised and spent, will total only $5m, according to Mr Thomas's calculations – a remarkably low figure for a daily newspaper with the Post's rather lofty aspirations. Midwest venture capitalists, including Chicago-based Sigma Companies, have made conditional commitments which, Mr Thomas says, "would exceed $3m."

For his hard-earned 35 cents, the comfortably-off Chicago commuter will receive an upmarket tabloid, which its progenitors compare to El Pais, the Spanish daily, containing the full gamut of daily news and features, in-depth business reporting and sport. Closing market prices are expected to be available in time for most homeward-bound readers.

The Post's backers are confident that advertisers will be keen to take advantage of the opportunity to reach a more precisely targeted audience than that provided by the mass circulation morning papers, the Chicago Tribune and the Chicago Sun-Times. Others are not so sure.

"The idea has long since passed its time", maintains Mr Dan Miller, editor of Crain's Chicago Business, a trade publication, who says he has been writing about the venture for at least five years. "There is a niche for a precisely-marketed, sophisticated paper, but not what they have in mind".

"A lot of people are starting to compete for the same advertising dollars", warns Northwestern University's Mr Peck.

But Mr Tim Jacobson, whose projected Chicago Times, a bi-monthly magazine targeted at a similar readership, is scheduled to make its debut at the news-stands in September, is decidedly more optimistic.

"Advertisers have told us that there is a clear need for a more targeted audience", he says. "Chicago is a railroad town. People ride trains home. If it were done as well as Andreas Whittam-Smith's (British) Independent, I think an evening paper ought to make it".

Firm sales push Dow Chemical to record $312m

By Our New York Staff

VERY strong volume gains and firmer prices helped push Dow Chemical's second quarter net income 40.5 per cent higher, to a record $312m, and the US chemical multinational is forecasting an "outstanding" third quarter.

Mr Robert Keil, executive vice president, says that "strong demand for basic chemicals and plastics continued in the second quarter as world economies maintained a moderate but sustained rate of growth."

Polyethylene and styron polystyrene resins were "major contributors" among basic plastics and vinyl chloride monomers and chlorinated solvents were singled out as strong performers in Dow's basic chemicals business.

Sales rose 13 per cent to $3.3bn in the second quarter, with Dow Europe and Dow Pacific achieving record sales and operating income. "While prices have yet to recover from the declines in the early 1980s, a meaningful improvement occured during the second quarter," says Mr Keil.

Net income per share rose by 39.6 per cent to $1.62. Dow says that the latest earnings are 22 per cent above the previous all-time high of $1.33 per share in the fourth quarter of 1980 and it expects business to remain strong for the balance of the year.

For the first half of the year net income rose 40.5 per cent to $558m, $2.90 per share, and sales rose 7.8 per cent to $4.5bn. Dow's shares, which have recovered from a low of $49⅝ in recent months, rose by $1¼ to $87⅞ in early trading yesterday.

American Cyanamid, the New Jersey-based chemicals group, increased its second quarter net income by 55 per cent to $87.6m, or 96 cents a share. Sales rose 5.9 per cent to $1.1bn. The latest figures were boosted by a 13 cents per share gain on the sale of the group's Jacqueline Cochran fine fragrance and skin care businesses.

Mr George Sella, chief executive, says that the record sales and earnings were the result of gains in all business areas with the agricultural segment making a "very dramatic contribution."The company also cites continuing cost containment and "excellent international results", aided by increased local currency sales and the strength of foreign currencies versus the US dollar for its improved performance.

American Cynamid shares, which have ranged between $35⅝ and $54 over the last year, rose by $⅝ to $52⅝ in early trading yesterday.

Lotus nets $16.3m in second quarter

By Louise Kehoe in San Francisco

LOTUS Development, the largest US publisher of personal computer software, announced record sales and earnings for the second quarter ended July 4.

Sales rose 42 per cent to $94m, up from $66.2m and net income increased 38 per cent to $16.3m, or 36 cents a share, from $11.8m, or 25 cents, in the same period last year.

"It was a great quarter across the board," said Mr Jim P. Manzi, president and chief executive. "Business was up significantly in both domestic and international markets and new products made important contributions to revenue growth."

According to Mr Manzi, Lotus' strategy is to leverage its leading position in personal computer spreadsheet programs to establish new businesses in related areas. One such venture is the publication of financial data on compact discs.

During the quarter, Lotus announced an agreement with IBM to develop programs for use on mainframe and personal computers.

Included in the agreement are plans for a mainframe computer version of Lotus's top-selling 1-2-3 spreadsheet program.

For the first six months, net profits were $30m, or 66 cents a share, against $22.2m, or 48 cents. Sales rose from $135.5m to $178.8m.

Merrill Lynch posts modest fall despite $155m trading loss charge

BY OUR NEW YORK STAFF

MERRILL LYNCH, the big US brokerage group, yesterday reported a modest 8.6 per cent drop in second-quarter net income to $83.3m, or 76 cents a share, despite taking a previously announced $155m after-tax charge for trading losses in its mortgage-backed securities business.

The trading loss, which related to the positioning and subsequent liquidation of certain mortgage securities and related hedges, was announced at the end of April.

However, Merrill says it was more than offset by strong earnings performance in other operations and after-tax gains of $76.2m and $48.3m respectively relating to the sales of leasing and real estate operations.

The group said its second-quarter performance was boosted by its investment banking operations where revenues, aided by major contributions from the mergers and acquisitions area, rose 27 per cent to $293m.

Commission revenues, insurance, asset management and custodial fees, and other revenues also registered strong gains over last year.

For the first six months of 1987 Merrill's net income rose 8 per cent to $192m, or $1.75 per share, and revenues rose 14 per cent to $5.1bn. Despite the second-quarter trading loss Merrill says that it is confident that it can achieve a strong overall performance for the year.

The group's net interest income rose 15 per cent to $114m in the second quarter and for the six months is 19 per cent higher at $212m. Total expenses in the latest quarter rose 11 per cent to $2.4bn, primarily reflecting a $115m increase in insurance expenses.

Merrill's shares, which are trading well below their year's peak of $46¾, rose by $⅛ to $35½ in early trading yesterday.

Paine Webber, one of the smaller Wall Street brokerage firms, increased its second-quarter earnings 146 per cent to $17.6m, or 53 cents a share on a 5 per cent rise in revenues to $637.6m.

The firm says profits from fixed income were more than double last year's out-turn, in a period when the debt markets posed "exceptional challenges."

For the first half net income rose 38.2 per cent to $50.2m, or $1.56 per share, on a 5.4 per cent rise in revenues to $1.3bn.

David Lascelles adds: Mr Stanislas Yassukovitch, head of Merrill's European operations, said Merrill's London-based gilt-edged business was making a small profit, and he denied it had suffered the losses widely attributed to it in the market.

It was not possible to break out Merrill's Big Bang operations because of the global nature of Merrill's business.

Mr Yassukovitch said the new capital adequacy rules proposed for the UK investment business last week would result in higher costs and less flexibility for firms like his own.

SmithKline and Sterling report gains in second quarter profits

BY OUR FINANCIAL STAFF

TWO MAJOR US drugs groups, SmithKline Beckman and Sterling Drug, yesterday reported advances in second-quarter earnings, although not at the pace set last week by sector-leader Merck.

SmithKline, based in Philadelphia, lifted net profits 7.1 per cent from $123.4m, or 80 cents a share, to $132.1m, or $1.03, although operating earnings were up 11.2 per cent to $203m and sales rose 16.1 per cent to $1.02bn.

For the first half of the year, net profits rose from $239.8m, or $1.55 a share, to $278.6m, or $2.18, while sales rose from $1.74bn to $2bn.

Mr Henry Wendt, chairman and chief executive, said: "Strong performance from our major businesses kept us on target toward our primary corporate goal of at least 10 per cent growth in operating income.

"Our non-pharmaceutical businesses, including Beckman Instruments, SmithKline Bio-Science Laboratories and Allergan, reported double-digit sales increases and operating income grew faster than sales."

In the ethical pharmaceutical division, sales rose 16 per cent in the quarter, marked by strong sales of the anti-ulcer drug Tagamet in the US, stable sales of the drug internationally and currency gains.

For the first six months of 1987, US sales of Tagamet were up 14 per cent, while those of the Dyazide hypertension drug were up just 3 per cent.

At Sterling Drug, net profits rose from $38.1m, or 65 cents a share, to $44.4m, or 77 cents, while revenues rose from $488.9m to $574m. Six-month profits rose from $74.4m, or $1.26 a share, to $85.7m, or $1.48, on sales up from $909.1m to $1.07bn.

Figures for last year have been restated for pension changes in US, UK and Canada. Mr John Pietruski, chairman and chief executive, said Sterling expected strong sales and earnings gains for the year.

Van Heusen rejects takeover bid

By Our Financial Staff

THE BOARD of Phillips-Van Heusen, the US producer of shirts and other clothing, has unanimously rejected the $132m proposal from Rosewood Financial to acquire the company for $22 per share.

Phillips-Van Heusen said its board "concluded that the Rosewood proposal is inadequate," and that it was in the best interests of the company to remain independent. Shearson Lehman, the US investment bank, will study alternatives

"Prospects of our business are extremely bright," said Mr Lawrence Phillips, chairman and president. Profits in the latest fiscal year and first quarter of the current year rose and the company recently increased its dividend by 75 per cent.

INTL. COMPANIES and FINANCE

Perlis in joint venture to expand into plantations

BY WONG SULONG IN KUALA LUMPUR

PERLIS PLANTATIONS, the diversified master company in Malaysia of Mr Robert Kuok, the Southeast Asian entrepreneur, has announced a bold expansion into plantations.

It has entered into an agreement with the Sabah Land Development Board, a state agency, to set up a joint company to acquire 20,000 acres of plantation land in the state. Perlis will have a 60 per cent stake in Sapi Plantations, while SLDB will hold the remaining 40 per cent.

The joint venture company will pay 37.7m ringgit (US$15m) to SLDB for the land in the Beluaran district of Sabah, of which 8,500 acres is already planted with oil palm.

Last year, Perlis Plantations took a 70 per cent stake in Saremas, which is developing a 24,00-acre oil palm plantation in the Suai district of the East Malaysian state of Sarawak. Perlis is currently involved in sugar refining, hotels, uroperty development, and retailing.

Meanwhile, Perlis has announced the terms for its proposal to acquire majority stakes in two of its publicly listed associates — Rasa Sayang Hotels and Federal Flour.

It would offer 300 new shares for every 1,000 shares in Federal Flour. Perlis already holds 35 per cent in Rasa Sayang and 11 per cent in Federal Flour, while the Kuok group has 30 per cent in Perlis, 10 per cent in Rasa Sayang and 27 per cent in Federal Flour.

The merger would place the Kuoks' Malaysian interests under one company, with a probable paid up capital of *210m* ringgit and shareholders' funds of over 600m ringgit. The three publicly listed companies have a combined market capitalisation of nearly 1.9bn ringgit.

Loss at South African engineer

BY JIM JONES IN JOHANNESBURG

GENREC, ONE of South Africa's largest structural engineering companies, fell into the red in its last financial year and is restructuring itself by becoming a subsidiary of Murray and Roberts (M&R) and acquiring parts of its parent's business located in coastal areas. M&R's interest in Genrec will increase to 66.67 per cent from 33.92 per cent.

The after-tax loss was R333,000 in the year to February 28, against a profit of R2.35m ($1.1m) in the previous year. In addition, provisions totalling R7.95m were made against losses on existing contracts held by the works division and poor margins exacerbated by a deteriorating order book, and the value of some of the company's properties has been written down by R7.17m.

Genrec has acquired several of M&R's engineering subsidiaries in exchange for issuing 4.73m new shares in itself. The transaction lifts Genrec's issued share capital to 9.51m shares. It is also designed to broaden the geographic spread of Genrec's business, to provide it with additional management and to restructure its debt.

The directors believe the restructuring will lead to a return to profits in 1988 and say it will improve Genrec's ability to participate in construction projects such as the Mossel Bay offshore gas and synfuels venture.

Last year's loss before extraordinary items was 19.1 cents a share against earnings of 21.1 cents. Dividends have not been paid since 1985.

First-half rise for Japanese drugs group

By Yoko Shibata in Tokyo

ONO PHARMACEUTICAL, the medium-sized Japanese drug manufacturer which is the world's leading developer of prostaglandin products, lifted pre-tax profits in the half year to March 1987 by 29.3 per cent to Y11.36bn ($75m).

The strong showing at the midway mark was attributed to smooth sales of medicines for acute and chronic pancreatitis and of a prostaglandin-based remedy for obstruction of the arteries.

Half-year net profit was Y4.23bn, up 30 per cent from the previous year. Sales totalled Y31.24bn, an increase of 18.3 per cent. Full-year pre-tax profits are projected at Y21.5bn, on turnover of Y62.5bn.

The company intends to increase its annual dividend by Y1 to Y10 per share. At the end of the current fiscal year, the company will issue bonus shares to shareholders at a rate of eight per 100 shares held.

Mitsubishi Metal in red

MITSUBISHI METAL, Japan's largest copper smelter, has reported a consolidated net loss of Y410m ($2.7m) for the year ended March 31, compared to a profit of Y5.48bn in the previous year. The loss per share was Y0.72m compared to a profit of Y9.96, AP-DJ reports from Tokyo.

Sales rose by 14.4 per cent to Y658.64bn from Y575.91bn.

Carlton Paper profits jump at midway

By Our Johannesburg Correspondent

CARLTON PAPER, the South African paper converter which is an associate of Kimberly-Clark, increased profits substantially in the six months to June 30 even though, as the directors put it, considerable sums were spent to meet Carlton's obligations as a signatory of the Sullivan code of practice for US companies.

First-half turnover rose to R106.9m ($51.7m) from R92.2m in the first half of 1986, operating income before interest and tax was R8.95m against R6.49m, while pre-tax profit rose to R7.34m from R4.42m.

In 1986, turnover totalled R198.6m, the year's operating profit was R19.55m and pre-tax profit was R15.57m.

The first half's earnings rose to 22.3 cents a share from 15.2 cents and the interim dividend has been lifted to 12 cents from 8 cents. In 1986 total earnings were 53.3 cents and the year's dividend was 30 cents.

Turnover down at Ciba-Geigy

By Our Financial Staff

CIBA-GEIGY, the Swiss chemical and pharmaceutical group, says group sales for the first half of 1987 slipped by 8 per cent to SFr 8.27bn ($5.34bn) from the same period in 1986.

The company says improved operating results should largely offset negative currency factors and leave Ciba with a "satisfying" result for 1987 as a whole.

For 1986, Ciba posted group profits of SFr 1.16bn on sales of SFr 15.9bn.

Six-month earnings soar at Alcoa of Australia

BY CHRIS SHERWELL IN SYDNEY

ALCOA OF AUSTRALIA, the 51 per cent-owned subsidiary of Aluminum Company of America and one of the world's largest suppliers of alumina, yesterday reported dramatically increased interim profits on sharply expanded turnover.

Figures for the six months to June showed an after-tax profit of A$45.9m (US$32.6m) compared with only A$3.7m in the same period last year. Turnover rose 34 per cent, from A$474m to $635.8m.

Brokers last night attributed the remarkable improvement to higher alumina prices, reduced prices for the natural gas which feeds the group's Western Australian refineries and conservative treatment in the past of debt and exchange losses.

Although a better performance was anticipated after the poor results of the first half of last year, the figures appear to be above expectations, suggesting that the group is returning to its best levels of profitability.

A breakdown of the figures showed interest charges were reduced from A$55.6m to A$36.8m. Pre-tax profits were A$117.3m, up sharply from A$14.9m.

INTL. COMPANIES & FINANCE

Conti chief drafted in to bolster Daimler board

BY ANDREW FISHER IN FRANKFURT

MR HELMUT WERNER, chairman of Continental, the tyre company, is to be named as a board member of Daimler-Benz this week as part of the process of strengthening the management of the diversified West German motor group.

The appointment is due to be approved tomorrow by Daimler's supervisory board, which will also shortly confirm Mr Edzard Reuter as the new chairman to succeed Mr Werner Breitschwerdt. Influential in the moves is Mr Alfred Herrhausen, co-chairman of Deutsche Bank, which owns 28 per cent of Daimler, who is also head of the supervisory boards of both Daimler and Conti.

Daimler confirmed a week ago that Mr Breitschwerdt, citing personal reasons, would step down as chairman. By bringing in Mr Werner, aged 50, and putting him in charge of the truck division, where competition is tough and profits elusive, it hopes also to help secure its next generation of leaders. Mr Reuter, at present deputy chairman and finance director, is 59 and will retire in the early 1990s.

Mr Helmut Werner: to head truck division

As well as engaging Mr Werner, who has just taken Conti deeper into the US with the $650m purchase of General Tire, Daimler is also expected to promote two of its own managers to key positions, Mr Juergen Hubbert and Mr Juergen Schrempp.

Both are still in their 40s and, with Mr Werner, are also regarded as possible candidates for the chairmanship of Daimler when Mr Reuter steps down at 65. Mr Hubbert is expected to become a deputy board member in the car division which is headed by Mr Werner Niefer. Mr Schrempp is to work as deputy to Mr Werner.

The move by Mr Werner to Daimler has been mooted for some time, though he has also been courted by Mr Carl Hahn, head of Volkswagen, to take charge of its Audi subsidiary. He has headed Continental (formerly known as Continental Gummi-Werke) for five years.

The present head of Daimler's the truck division, Mr Gerhard Liener, is expected to take over as finance director when Mr Reuter becomes chairman. Mr Niefer is likely then to become deputy chairman, a post created earlier this year for Mr Reuter in an attempt to bolster Daimler's management.

U.S. quarterly results

ADOLPH COORS
Brewing

Second quarter	1987 $	1986 $
Revenue	357.9m	360.6m
Net profits	17.5m	29.4m
Net per share	0.48	0.82
Six months		
Revenue	624.8m	624m
Net profits	24.4m	36.5m
Net per share	0.67	1.02

BELL ATLANTIC
Telecommunications

Second quarter	1987 $	1986 $
Revenue	628.4m	626.1m
Net profits	326.1m	307.4m
Net per share	1.64	1.54
Six months		
Revenue	1.22bn	1.26bn
Net profits	633.6m	597.3m
Net per share	3.18	2.99

DOMINION RESOURCES
Utility holding company

Second quarter	1987 $	1986 $
Revenue	745m	685m
Net profits	76m	65m
Net per share	0.80	0.71
Twelve months		
Revenue	3.21bn	2.84bn
Net profits	419m	346m
Net per share	4.47	3.82

AMERICAN ELECTRIC POWER
Utility

Second quarter	1987 $	1986 $
Revenue	1.14bn	1.18bn
Net profits	117.3m	97.1m
Net per share	0.61	0.50
Twelve months		
Revenue	4.34bn	4.91bn
Net profits	548.9m	1482.5m
Net per share	2.84	†2.50

† Excludes $79m charge

BRUNSWICK
Marine, recreational products

Second quarter	1987 $	1986 $
Revenue	819.4m	458.7m
Net profits	57.5m	33.5m
Net per share	0.65	0.40
Six months		
Revenue	1.32bn	855.4m
Net profits	92.2m	57.4m
Net per share	1.04	0.68

EMHART
Consumer, industrial products

Second quarter	1987 $	1986 $
Revenue	629m	527.9m
Net profits	28.8m	20.9m
Net per share	0.92	0.71
Six months		
Revenue	1.2bn	1bn
Net profits	58.8m	40m
Net per share	1.82	1.39

AMERICAN PRESIDENT
Shipping

Second quarter	1987 $	1986 $
Revenue	424.9m	325.3m
Net profits	20.5m	4.4m
Net per share	0.84	0.21

CHAMPION SPARK PLUG
Vehicle parts

Second quarter	1987 $	1986 $
Revenue	260.7m	208.2m
Net profits	7.6m	14m
Net per share	0.20	†0.10

FORT HOWARD
Pulp and paper

Second quarter	1987 $	1986 $
Revenue	472.5m	394.1m
Net profits	48.3m	46.8m
Net per share	0.72	0.70

Continued on Page 41

Simex offers extra seats in bid to boost trading

BY ROGER MATTHEWS IN SINGAPORE

THE FAST-GROWING Singapore International Monetary Exchange yesterday announced a *three-point* programme designed to promote a further large increase in trading.

It is to offer for immediate sale an additional 100 seats on the exchange at a price of S$75,000 (US$35,300) each: to introduce a novel scheme for local individuals to acquire *options* on a further 100 new seats, which will be taken up at the end of next year: and to reward the exchange's most active traders through an incentive payment.

Simex officials hope that the measures will not only satisfy the pent-up demand for seats but will encourage more active use of those which were acquired primarily for speculative purposes. Of the 450 current seats on the exchange, about 80 are inactive.

"We are not just increasing our capacity but seeking better utilisation of what is already there," *said a Simex official.* Simex can also be expected to add further contracts in the months ahead to the seven presently traded.

The S$75,000 asking price for a new seat is S$25,000 more than the last seat sold by the exchange, although one changed hands privately last week for S$80,000. Existing owners will be given the chance by Simex to sell out for S$75,000 before the 100 new seats start to be taken up.

Four corporate applications for three seats each have already been approved pending the availability of places, and there are 59 local applications in the pipeline. If all are approved, some 70 per cent of the new seats could be quickly snapped up.

In an effort to encourage local traders, Simex has also launched what it believes to be a unique plan for newcomers. From August 1 to November 30, an individual leasing a seat from an existing owner (the present cost is S$320 to S$350 a month) can purchase a seat option for just S$2,000. *During the four-month qualifying period,* the individual would have to trade not less than 2,400 contracts.

The option can be exercised only during the first two weeks of December next year, with the payment of S$80,000, less the initial S$2,000 investment.

"We are looking for trade and traders," said the Simex official. "We hope that this scheme will encourage people to come and develop their skills for a modest initial cost."

Existing seat owners are also being encouraged to become more active through the introduction of an incentive payment scheme related to the number of contracts struck. Of each new seat sold, Simex will put S$25,000 into a central pool to be divided among the 400 most active on the exchange.

Simex anticipates that the measures will push the recent daily trading volume of 7,000 contracts closer to its goal of 10,000, although officials yesterday declined to speculate on when that might be achieved. Virtually all the growth in the past three years has come from the *Eurodollar* and *Nikkei* contracts, which together account for 90 per cent of Simex's business.

Credit Lyonnais downgraded

BY GEORGE GRAHAM IN PARIS

MOODY'S the US debt rating agency, has downgraded Credit Lyonnais, the second largest French commercial bank, while leaving the ratings of its two main rivals unchanged.

Banque Nationale de Paris and the newly privatised Societe Generale keep their AAA ratings for long-term debt, Moody's said yesterday, while Credit Lyonnais slips to AA1.

The decision is a blow to Credit Lyonnais' chairman, Mr Jean-Maxime Leveque, who has been campaigning vigorously for his bank to be the next in the French privatisation campaign.

Mr James Bray, vice president of Moody's, said the agency recognised the strength of Credit Lyonnais' substantial domestic market position.

The bank had taken steps to contain its costs and to improve its capital structure, he said, but profitability might not increase significantly over the near term because lending margins will continue to be eroded by increased competition.

All three of the French banks, which Moody's placed under review in April, have made heavy loan loss provisions since 1982, at the expense of reported profits. The US agency takes the view, however, that Societe Generale and BNP have greater inherent profits potential and stronger capital bases.

Other French banks such as Paribas lost their AAA rating after they had been privatised, reflecting the removal of the state's guarantee.

Panama's bankers weather civil unrest

By Peter Ford in Panama City

BOARDED UP with plywood against stone-throwing demonstrators, Panama's 135 banks have found themselves at the centre of the political turmoil that has wracked this capital for the past month.

Not only have their windows overlooked the scenes of the worst violence, in the financial district. The banks have also been subjected to a barrage of rumours in the opposition's psychological war against the Government, dominated by Gen Manuel Antonio Noriega, the military strongman.

Reports of massive capital flight spurred the country's Bank Commission, which regulates all Panama's financial institutions, to insist late last week that it had "no evidence" of large-scale withdrawals of deposits.

The commission also rejected as "totally false and without foundation, all opinions, interpretations, institutions or speculation," about a possible nationalisation of the banks, or a freeze on their deposits.

Private bankers here confirm the authorities' view, though they add that locally-owned banks have suffered more than their international counterparts, whose offshore business has scarcely been affected.

Yet the unrest has clearly made life uncomfortable for Latin America's premier banking centre, with $39bn in assets.

"The banks feel they can prosper and survive under either this government or the opposition," said one foreign bank manager. "What's *damaging is the uncertainty.* We don't mind who wins so long as they win quickly."

Capital flight

Should the anti-government protests continue indefinitely, however, there is little to keep the international banks from thinking of moving elsewhere. Few of them do large-scale local business, their only fixed assets are their headquarters, and competing banking centres such as the Bahamas or the Cayman *Islands offer the same advantages* as Panama.

The political crisis here has not yet caused serious alarm, however. One foreign banker, only 5 per cent of whose customer deposits have left the country in recent weeks, estimates total capital flight at a maximum of around $300-400m, and colleagues broadly agree with that figure. However, bankers say that very little fresh money is coming in.

Panamanian banks have taken more of a beating, *seeing many depositors move* their funds into international banks in Panama or abroad. But few financial analysts here have seen any signs to confirm rumours that the Banco Nacional de Panama (BNP), which acts as the country's clearing house bank, is nearing a liquidity crisis.

Warnings of such a crisis have come from the opposition "civic crusade," a middle-class amalgam of businessmen and professionals seeking Gen Noriega's downfall.

The crusade has many supporters in the banking community, and on occasion, they have put their political priorities above their financial interests, throwing the banking centre into confusion.

Chase fears

At one *stage during the* protests, executives of Chase Manhattan in Panama put it about that their New York headquarters had ordered them to close up because of the unrest.

Only when Chase opened its doors as usual the next day, did it occur to observers that a vice-president of the Panama branch of Chase is closely related to one of the crusade's leading figures.

Mr Ricuarte Vasquez, the Planning Minister, is also angry that when the crusade held a business strike last month, the banks joined in briefly, closing their doors to over-the-counter business.

The banks provide jobs for some 10,000 people, account for 14 per cent of Panama's gross domestic product, and have opened new credit horizons for the Panamanian government.

Spanish bank in Europaper deal

By Our Euromarkets Staff

BANCO EXTERIOR De Espana, a commercial bank focusing on Spanish external trade, is to have a $400m programme for issuance of Eurocommercial paper and certificates of deposit.

Salomon Brothers International is arranging the programme, and other dealers will be First Chicago, Morgan Guaranty, Shearson Lehman Brothers International and Union Bank of Switzerland (Securities).

Weak response to GMAC launch

BY CLARE PEARSON

GENERAL Motors Acceptance Corporation yesterday launched a $250m bond into the short end of the Eurodollar bond yield curve, which has received a string of issues in recent weeks as it is believed to be the only area where investor demand for Eurodollar paper is firm at the moment.

Although the two-year issue was thought correctly priced, however, it met an unenthusiastic response from dealers, who said that GMAC had been a frequent borrower in the Eurobond market this year. The company *had, for instance,* launched a $200m three-year issue on 9 July.

The 8 per cent issue was priced at 101.05 to give an initial yield spread of 55 basis points over US Treasury bonds. Morgan Stanley, the lead manager, said this was more generous than the trading levels on some comparable bonds. It was quoted at less 1-1¼ bid, the level of its total fees.

Despite low overall demand for Eurodollar bonds, a recent 10-year 9 per cent deal for the World Bank was trading at less 1.85 bid, comfortably inside 2 per cent fees. Dealers said this reflected fair pricing and the scarcity of high quality new paper in the market.

Elsewhere, the main feature of the day was a lira bond for ENI International Bank. This marked a new stage in the development of the Eurolira market, which has attracted increasing attention because of its relatively high interest rates and successive liberalisations.

The bond, which was guaranteed by ENI, the Italian state energy group, was the first true Eurolira equity linked bond. It bears warrants into ordinary *shares of Italgas, the Italian gas* manufacturing company.

The Italgas shares can be cleared through the Eurobond clearing systems, which Swiss Bank Corporation International said had been a key selling point of the L50bn five-year issue because of concern about *Italian clearing procedures. The* bond was quoted at 102 bid, against a par issue price.

Each bond has one warrant attached to it, and is issued by Sofid, an ENI subsidiary, and is exercisable into 680 Italgas shares. The warrant exercise price will be set tomorrow at a 5-6 per cent premium over the three-day close. The coupon, which is indicated at 7-7¼ per cent will also be fixed then.

Prudential-Bache Capital Funding led a $50m 15-year convertible for York International, the US heating and ventilating manufacturer whose earnings have turned around *since it was spun-off from Borg* Warner last year.

The par-priced bond carries an indicated 5¾ to 6¼ per cent coupon and the conversion premium is relatively high at an

INTERNATIONAL BONDS

indicated 22 to 27 per cent. But the issue also has a put option in the fifth year. It was quoted at 99 bid.

Hambros Bank led an A$50m three-year 14 per cent bond for Credit Commercial de France (Australia), priced at 101⅜. Dealers said the issuer was not a favoured name in the A$ bond market, but the deal should get placed in continuing buoyant trading conditions.

In Switzerland, prices of fixed rate bonds were little changed, with attention focusing on equity-related issues.

A misunderstanding by some banks led to the suspension yesterday of a recent equity warrants issue for Bayer, the West German chemicals company. Some houses said they had been unaware that the warrants could be traded interchangeably with a similar issue launched in West Germany. Investors had been buying the warrants more cheaply in the D-Mark market, and then selling them in Zurich.

However, Credit Suisse, the lead-manager, said the prospectus had stated that the warrants were fungible, and trading is expected to resume today.

Kredietbank (Suisse) led a SFr 76m five-year issue for the European Community which was widely thought tightly priced. The 4¾ per cent bond is priced at 100¼.

Union Bank of Switzerland *priced a SFr 100m five-year* convertible for Mitsubishi Trust and Banking with a ½ per cent (semi-annual) coupon, which matched the record low set on a Swiss franc convertible for Sumitomo Trust and Banking last week. The premium on Mitsubishi's bond was set at 11.23 per cent over the *six-day* average.

IRI package to raise L100bn

BY ALAN FRIEDMAN IN MILAN

IRI, the largest Italian state holding group whose interests range from the steel industry to Alitalia, yesterday launched a L100bn ($74.3m) fixed-interest bond issue with warrants attached to buy shares in Banco di Roma, the state-owned commercial bank. The five-year paper is expected to yield 6.75 per cent.

The exercise of the 20,000 warrants (each enabling the holder to buy 300 Banco di Roma shares) would represent a partial privatisation which would lower IRI's shareholding in Banco di Roma by 4.3 per cent. This would raise a total of L69.7bn. Up to half of the issue is being reserved for Italian and foreign institutional investors.

Together with the exercise of two previous bond issues, the bond would have the effect of lowering IRI's total equity stake in Banco di Roma from its present 77.4 per cent to 66 per cent. This would be roughly the same holding which IRI has in its other two banks, Banca Commerciale Italiana (BCI) and Credito Italiano.

Sanofi sees 30% first-half gain

BY PAUL BETTS IN PARIS

SANOFI, the French pharmaceutical and cosmetics company which is 60 per cent controlled by the Elf-Aquitaine oil group, expects to report an increase of more than 30 per cent in first-half net earnings this year on last year's comparable low level of FFr 190m ($30.7m).

Mr Rene Sautier, the chairman of the fast-growing pharmaceutical and cosmetics group, also said yesterday that net profits for the whole of the year excluding minority interests were likely to increase by about 20 per cent compared with the group's profits of FFr 495m last year. Sanofi sales last year totalled FFr 12.6bn; if the Yves Rocher subsidiary is included they amounted to FFr 16bn.

The French group also disclosed yesterday that it was in advanced negotiations with American Home Products to end their five-year relationship. Although not a complete divorce, Mr Jean-Francois Dehecq, Sanofi's vice chairman and general manager, said the separation would enable Sanofi to have the necessary freedom to develop its North American phamarceutical activities.

The new agreement under negotiation will see Sanofi gain full control of its US subsidiary

Gilt warrants sector off to flying start

By Janet Bush

CHASE MANHATTAN Investment Bank is today launching an issue of gilt warrants, the second since houses were allowed to issue warrants under new Stock Exchange and Bank of England regulations introduced yesterday.

The first-ever issue of warrants, launched jointly yesterday by Salomon Brothers and Samuel Montagu, is believed to *have been pre-sold,* mostly to foreign clients.

Today's issue by Chase consists of 1,000 call warrants totalling £100m, exercisable in the period from July to December in denominations of £100,000, against the 11¾ per cent Treasury stock 2003/07.

It is believed Chase, which will lead-manage the issue, has as its co-lead Union Discount, the British discount house and gilt-edged primary dealer.

The Bank of Englanr is using a queuing system to ensure the smooth running of the first few issues.

FT INTERNATIONAL BOND SERVICE

Listed are the latest international bonds for which there is an adequate secondary market.

Closing prices on July 20

US DOLLAR STRAIGHTS	Issued	Bid	Offer	Change on day	Change on week	Yield
Abbey National 7½ 92	200	94⅛	94½	−0⅛	−0⅛	9.07
A/S Eksportfinans 7⅜ 93	100	93⅛	93⅝	−0¼	−0¼	9.02
A/S Eksportfinans 7¾ 92	150	94⅞	94⅞	0	+0¼	8.76
Austria 7¼ 97	200	91½	92	−0¼	−0½	9.06
BP Capital 9⅛ 94	100	101¾	102¼	−0¼	+0⅛	8.70
British Telecom 7⅜ 96	250	90½	91	−1⅞	−0½	9.14
Campbell Soup 10½ 95	100	106⅛	106⅝	−0¼	−2	9.29
Canada 9 96	1000	100¼	100⅝	−0¼	−0⅛	8.92
Canadian Pac. 10¼ 95	100	†104¼	104¾	−0⅛	−0½	9.70
CCCE 7⅛ 91	113	95	95½	−0¼	−0¼	8.48
CNCA 7¼ 91	150	94¼	94¾	−0⅛	−0⅛	8.78
Citicorp 8¼ 93	200	93⅛	93⅝	−0⅛	0	9.72
Credit Lyonnais 9 91	200	101	101½	−0⅛	−0¼	8.59
Credit National 7⅞ 92	100	95¼	95¾	−0⅛	−0⅛	8.55
Credit National 9⅛ 93	150	†102⅛	102⅝	−0⅛	0	8.55
Credit National 7¼ 91	150	95¼	95¾	−0¼	−0¼	8.58
Denmark Kingdom 7⅛ 92	500	92⅞	93⅛	0	−0¼	8.99
Denmark Kingdom 8¼ 91	300	98¼	98⅝	0	0	8.75
EEC 7 91	100	94⅞	95⅛	−0⅛	−0⅛	8.36
EEC 8¼ 96	100	95⅛	95⅝	−0¼	−0⅛	9.02
EEC 7¼ 93	250	93⅞	94¼	−0⅛	0	8.62
EIB 7⅜ 93	100	94½	95	0	+0¼	8.71
Finland 7⅞ 97	200	91¼	91¾	−0⅛	−0⅜	9.24
Finland 7½ 93	200	93⅜	93⅞	−0¼	−0½	8.88
Ford Motor Cred. 10½ 91	150	105½	106	−0⅛	−0⅛	8.81
Ford Motor Cred. 11⅜ 90	100	106½	107	−0⅛	−0⅛	8.31
Gen. Elec. Cred. 10¼ 00	200	105	105½	0	−0½	9.79
Hoesch 7⅜ 92	100	96¼	96¾	+0⅛	−0¼	8.29
Hoesch 7⅞ 94	300	94¾	95¼	−0⅛	−0⅜	8.88
Hoesch 8¼ 97	100	94⅞	95⅜	0	−0⅜	9.01
Liberty Mutual 8½ 96	150	95⅛	95⅝	−0⅛	−0⅜	9.28
LTCB of Japan 8 91	100	97¾	98¼	0	−0¼	8.60
LTCB of Japan 8 97	200	92⅛	92⅝	−0¼	−0⅜	9.29
Mercds.-Benz Cred. 7½ 93	100	95¼	95¾	−0½	−0⅞	8.47
Mitsubishi Fin. 7⅞ 93	100	94	94½	−0¼	−0¼	9.11
Mutual America 7⅜ 92	100	94¾	95¼	−0⅛	−0⅜	9.01
Norway Kingdom 7¼ 91	500	95¾	96¼	−0⅛	0	8.44
Pepsico Inc. 7⅜ 93	200	92⅞	93⅜	−0⅛	−0¼	8.93
Qantas Airways 10⅜ 95	140	105⅛	105½	−0¼	−1⅛	9.41
Queensland Govt. 10¼ 95	100	104¾	105¼	−0⅛	−0½	10.30
Ralston Purina 11¾ 95	150	†108¼	108⅝	−0¼	−0¼	10.13
Saab Scania 9½ 91	125	101½	102	−0⅛	−0¼	8.88
Saskatchewan 10¼ 92	100	106½	107	−0⅛	−0⅜	8.88
State Bk. S. Aust. 9¼ 93	300	100⅜	100¾	−0⅛	−0½	9.11
Statoil 10 90	170	103⅝	104⅛	−0⅛	0	8.50
Swed. Exp. Cred. 7¼ 91	100	95	95½	−0⅛	−0⅛	8.57
Swed. Exp. Cred. 10 92	100	105¼	105¾	−0¼	−0¼	8.56
Sweden 8¼ 96	200	98½	99	+0⅛	−0½	8.95
Sweden 7 92	250	94⅞	95⅛	+0⅛	−0⅛	8.38
Sweden Kingdom 10⅞ 90	200	106⅛	106⅝	−0⅛	−0⅜	8.23
Sweden Kingdom 7 91	250	95⅛	95½	−0⅛	0	8.37
Taiyo Finance 7¾ 94	100	92⅜	92⅞	−0¼	+0⅛	9.29
Toyota Motor Cred. 8 89	100	†100¼	100¾	−0⅛	0	7.70
Toyota Mtr. Cred. 7⅛ 92	150	94	94½	−0⅛	0	8.69
Victorian Rep. 11⅜ 92	150	110⅜	110⅞	+0⅛	0	8.79
World Bank 7 92	300	95⅛	95⅝	−0¼	+0⅛	8.25
Yasuda Tst. Fin 8½ 93	100	†96¼	96¾	−0⅛	−0⅝	9.29

Average price change on day −0¼ on week −0¼

DEUTSCHE MARK STRAIGHTS	Issued	Bid	Offer	Change on day	Change on week	Yield
Arab Banking 5½ 92	150	97	97⅝	−0⅛	+0¼	6.13
Austrian Elec. Co. 6½ 95	150	100⅝	101¼	−0¼	+0¼	6.33
BMW 5¾ 96	200	92¾	93½	+0⅛	+0⅛	6.29
Daimler Benz Int. 5¾ 01	500	90⅝	91⅛	−0⅛	+0⅛	6.78
Degussa Int. 6⅛ 97	200	96⅜	96¾	0	+0⅛	6.60
Dow Chemical 6¾ 95	300	101⅛	101⅞	0	−0⅛	6.50
EIB 5½ 98	150	91⅛	91⅞	0	+0¼	6.62
EIB 6⅛ 96	300	97¼	98	−0½	−0¼	6.48
EIB 6⅞ 95	300	102¼	103	−0¼	−0¼	6.45
EIB 6 97	300	96⅝	97¼	−0¼	−0⅜	6.44
Euro. Coal & Steel 5⅞ 97	175	94⅝	95⅜	−0⅜	−0⅜	6.59
Eurofima 6¼ 96	100	99¾	100½	−0⅜	+0¼	6.23
Ex.-Im. Bk. Korea 7⅜ 90	100	104½	105¼	+0⅛	+0⅛	5.78
Finland Republic 7 92	200	105⅞	106¼	0	+0½	5.38
Hoesch Intl. Fin. 7 95	100	101⅞	102¼	0	−0⅜	6.63
Hydro Quebec 5½ 96	125	93⅞	94⅝	−0⅛	−0¼	6.37
Hydro Quebec 6 16	150	82¼	83¼	−0⅛	+0¼	7.46
IADB 6 97	200	95⅛	95⅝	0	+0⅛	6.65
IBJ 5⅜ 96	200	93½	94¼	−0¼	−0½	6.56
Japan Finance 5¾ 97	100	93½	94⅛	−0⅜	−0⅜	6.63
Julius Baer Bank 2 94	150	104½	106	−0¼	+0¼	1.18
Korea Dev. Bank 6⅝ 93	100	100⅞	101⅜	0	0	6.41
Malaysia 6¾ 94	150	97¼	97¾	0	0	6.71
Mitsubishi M. 3⅛ 89 XW	100	96	96⅝	−0⅛	−0⅛	4.79
Renfe 7¼ 95	100	105¾	106⅛	0	+0¼	6.71
Soc. Cent. Nuclear 7¼ 95	150	102⅞	103⅛	0	−0¼	6.79
Soc. Cent. Nuclear 8 91	100	105⅞	106½	+0⅛	−0¼	6.20
Staweag 5½ 96	100	94⅞	95⅜	0	+0⅛	6.25
Tokyo Elec. Power 6 97	300	95⅛	95½	−0⅛	0	6.66
World Bank 6¼ 97	600	97⅞	98¼	−0⅜	+0⅜	6.59
Yorkshire Intl. 6¼ 01	200	91	91¼	−0½	−0⅜	7.25

Average price change on day −0⅛ on week 0

SWISS FRANC STRAIGHTS	Issued	Bid	Offer	Change on day	Change on week	Yield
African Dev. Bk. 5⅝ 96	100	†102½	103	0	+0¼	5.23
Amer. Corpn. 5¾ 01	200	†93½	94	0	0	5.92
Baker Int. 4⅛ 96	200	†87½	89	0	0	5.96
Carlsberg 5 96	80	†102½	102¾	−0⅞	−0⅛	4.64
Chujitsuya 5¾ 94	50	†103½	104½	−0¼	+0¼	4.69
Deutsche Bk. Fin. 5⅞ 95	100	†105½	106¼	−0¼	−0¼	4.43
EIB 4⅝ 97	200	†98¼	98½	+0¼	+0¼	4.84
Glendale F. S. & L. 5½ 95	100	†102	102½	+0¼	+0¼	5.15
Humana 5⅛ 98	120	†99	99½	0	−0⅜	5.21
Industrial Credit 5¾ 96	75	†100	100¼	0	0	5.73
Japan Dev. Bk. 5⅛ 97	100	†101½	102	+0¼	−0½	4.90
Oberos. Kftwk. 5⅝ 95	100	†103	103¼	−0¼	−0¼	4.86
Olivetti Intl. 5½ 95	100	†103½	104½	−0½	0	4.88
Pepsico 5¼ 95	130	†104½	104¾	0	−0¼	4.52
Prov. of Manitoba 4¾ 94	200	†102½	102¾	+0¼	+0¼	4.32
Ralston Purina 5⅝ 94	125	†103¼	103¾	0	+0¼	4.79
Setsui Euro. 0 01	100	†47¼	47½	0	+0¼	5.65
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Average price change on day 0 on week 0

YEN STRAIGHTS	Issued	Bid	Offer	Change on day	Change on week	Yield
Credit National 4⅞ 92	15	98⅛	98½	−0½	0	4.79
Denmark, Kingdom 5⅛ 92	130	100¼	100½	−0⅛	−0½	5.02
EIB 4⅝ 94	40	95¼	95⅝	−0¼	−1	5.45
Elec. de France 5⅛ 94	20	98¼	98¾	−0¼	−0⅞	5.39
Kansai Electric 4⅝ 94	60	95⅛	95¾	−0⅛	−0⅞	5.43
Kingdom Belgium 4⅝ 94	45	95⅜	95¾	−0⅜	−0⅞	5.42
Norway 4¾ 92	60	95¾	96¼	−0⅜	−0⅞	5.25
SNCF 4⅞ 93	20	97⅝	97⅞	−0⅜	−0⅞	5.36
Sweden, Kingdom 5⅝ 95	20	100⅛	100⅝	−0⅜	−0⅞	5.56

Average price change on day −0⅜ on week −0¼

OTHER STRAIGHTS	Issued	Bid	Offer	Change on day	Change on week	Yield
A/B Electrolux 14½ 90 A$	50	102¼	103⅛	−0⅛	0	13.07
Bergen Bank 15 90 A$	50	102¼	103⅛	−0¼	−0½	13.68
Creditanstalt 14⅛ 90 A$	60	101⅜	102¼	0	+0¼	13.33
DG Finance 14⅜ 92 A$	50	105⅜	106⅛	+0⅛	−1¾	12.54
Deutsche Bk. 14¼ 92 A$	100	104	104¾	0	−0¼	12.88
Deutsche Bk. 14½ 92 A$	150	105⅜	106⅛	+0⅛	+0¼	12.76
Helaba Fin. 13⅜ 96 A$	75	100½	101½	0	+0¼	13.17
World Bank 14¼ 92 A$	100	103⅜	104	+0⅜	+0¼	13.08
Canadian Pac. 10⅜ 90 C$	75	†102⅞	103⅜	−0⅜	−0½	9.27
Chrysler Corpn. 10 91 C$	75	†98⅞	99⅞	+0¼	−0¼	9.43
Genstar Fin. 11¾ 95 C$	75	*†103⅝	103⅝	0	0	11.04
GMAC 9¼ 92 C$	75	†101	102	+0⅜	−0⅛	8.84
Royal Trustco 10⅜ 90 C$	75	†101¾	102¼	+0¼	−0⅜	9.70
Sears Acc. 10⅜ 92 C$	75	*†101¾	101¾	0	0	10.15
Coca-Cola F. C. 17 90 NS	75	†102	103	0	−0½	15.86
Denmark 7¼ 92 Ecu	100	†99	99½	−0¼	−0⅜	7.93
EIB 7⅜ 91 Ecu	100	†99	99½	−0⅛	−0⅛	7.56
Euratom 7⅜ 97 Ecu	145	†95	95½	−0⅜	−0⅜	8.09
New Zealand 7¼ 93 Ecu	200	†97¼	98¼	−0¼	−0⅛	8.19
SDR 7¼ 95 Ecu	90	†98⅛	98¾	−0¼	+0⅛	8.01
Finland 6 91 Fl	100	100⅛	100¾	−0¼	−0⅛	5.99
Mort. Bk. Denmark 6 91 Fl	150	98½	99¼	0	−0⅛	6.32
Thyssen 7¼ 90 Fl	50	102½	103	−0¼	−0⅛	6.24
Wessanen 6¼ 90 Fl	50	101¼	102¼	0	0	6.05
American Brand 9½ 94 £	50	99⅜	100⅝	−0⅜	+0¼	9.45
Amer. Express OC 10 94 £	40	102⅞	103⅛	−0⅛	−0½	9.43
Deutsche Bank 9⅞ 97 £	75	102⅞	102⅞	−0½	+0⅜	9.62
GMAC 9 92 £	50	97¼	98⅛	−0¼	−0⅛	9.62
Halifax Bld. Soc. 10⅜ 97 £	100	101⅜	102¼	−0⅜	0	10.06
Imp. Chem. Inds. 10 03 £	100	†103⅞	104⅞	+0¼	+0⅜	9.44
Imp. Chm. Inds. 10¼ 92 £	75	†102⅞	103⅞	+0¼	+0⅜	9.86
Invst. in Inds. Int. 10 93 £	60	101¾	102¼	−0½	+0¼	9.57
Land Securities 9½ 07 £	200	†90	90½	−0¼	+0¼	10.69
Leeds Bldg. Soc. 10½ 91 £	50	101¾	102½	−0½	−0⅜	9.75
Nationwide BS 10⅛ 93 £	75	100⅞	101⅝	−0⅜	−0⅜	9.81
NSW Treasury 10⅜ 92 £	50	103⅜	104⅜	−0⅜	−0¼	9.61
Prudential Fin. 9⅛ 07 £	150	†92½	93½	−2¼	+0⅞	10.20
Royal Insce. 10⅞ 92 £	60	105⅛	106⅛	−0⅜	+0⅜	9.33
J. Salisbury 10⅞ 93 £	60	103¾	104⅜	−0⅞	−0⅜	9.86
Trusthouse Forte 11⅛ 90 £	50	103⅜	104⅛	−0½	−0⅜	9.50
World Bank 11¼ 95 £	100	109⅛	110	−0⅜	−0¼	9.46
CoE 8⅞ 95 LFr	600	†105	106	0	0	7.93
EIB 8⅝ 93 LFr	1000	†103¼	104¼	0	0	7.64

FLOATING RATE NOTES	Spread	Bid	Offer	C.dte	C.cpn
Alberta 3 93	0.0312	100.12	100.22	11/06	6.14
Alliance & Leic. Bldg. 94 £	0.08	99.09	99.14	28/04	9.89
Belgium, Kingdom of 91	0	100.10	100.20	19/02	6.69
Britannia 5 93 £	0⅛	99.50	99.57	8/04	10.06
Chase Manhattan Corpn. 91	0¼	99.46	99.64	20/08	6.56
Citicorp 98	0¼	97.99	97.74	27/02	6.63
Credit Lyonnais 5 00	0⅛	99.05	99.15	13/07	6.19
EEC 3 92 DM	0	100.48	100.57	20/02	4.19
EEC 5¼ 93 Ecu	0.0312	†99.86	99.96	30/01	7.18
Halifax Bldg. Soc. £ 94	0.1	99.22	99.27	6/05	8.97
Midland Bank 01 £	0.1	96.53	96.63	9/05	8.91
Milk Mrkg. Board 5 93 £	0⅛	99.29	99.34	30/03	10
New Zealand 5 97 £	0.07	99.06	99.16	16/05	11
New Zealand 5 01	0	99.09	99.19	4/08	6.31
Shearson Lehman Hldgs. 91	0⅛	99.31	99.48	6/05	7¼
United Kingdom 5 92	0	99.92	99.98	7/04	6.31
Woodside Fin. 5¼ 97	0	99.32	99.42	28/04	7.86
Woolwich 5 95 £	0⅛	99.06	99.11	19/05	10.62

Average price change on day +0.03 on week +0.04

CONVERTIBLE BONDS	Cnv. date	Cnv. price	Bid	Offer	Chg. day	Prem
Asics 5 92 DM	12/83	472	140¼	142¼	−1½	1.79
Minolta Camera 2¼ 94 DM	2/86	1105	95¼	97¼	−0⅜	63.66
Ashikaga Bank 2⅛ 02	4/87	996	98⅛	99⅛	−8	−8.79
Chiba Bank 2¼ 02	1/87	830	173⅝	175⅝	−14	−3.04
Fuji Bank 2¼ 00	10/85	1623	†275	276	−14	−6.48
Fuji Heavy Industries 3 00	8/85	676	121⅛	122⅛	−0½	−1.01
Fujitsu 3 99	5/84	1109	152½	153¾	−0¼	2.43
Gunma Bank 2⅛ 02	4/87	808	118⅛	119⅛	−3	−4.68
Mitsubishi Bank 2⅞ 00	8/85	1715	†258	259	−22	−9.69
Mitsubishi Trust 2½ 01	5/86	1600	†253	254	−19	−13.23
Mitsui Trust 2⅞ 01	10/86	1990	129¼	131¼	−10⅛	−4.63
Murata 3½ 00	7/84	1998	220	222	+1	3.94
Nippon Elec. 2⅞ 00	1/85	1295	244⅛	245¼	+5	158.09
Nippon Oil Co. 3 00	5/85	923	†246	247	−2	−4.43
OKI Elec. Ind. 3½ 99	10/84	885	139½	141	−3½	−0.64
Omron Tateisi 2⅞ 02	4/87	1350	115	116	+1⅞	6.24
Sumitomo Bank 2¾ 00	8/85	2142	†257	258	−18	−5.73
Toshiba Ceramics 3 00	4/85	1794	124⅛	125⅛	−3½	8.02
Nippon Oil Co. 2⅛ 92 SFr	3/84	1001	†180	181	−10	16.08
Yokohama Bank of 2⅞ 01	10/86	1045	147⅞	149⅞	−11⅛	−4.61

* No information available—previous day's price.

† Only one market maker supplied a price.

Straight Bonds: The yield is the yield to redemption of the mid-price; the amount issued is in millions of currency units except for Yen bonds where it is in billions. Change on week=Change over price a week earlier.

Floating Rate Notes: Denominated in dollars unless otherwise indicated. Coupon shown is minimum. C.dte=Date next coupon becomes effective. Spread=Margin above six-month offered rate (‡ three-month; § above mean rate) for US dollars. C.cpn=The current coupon.

Convertible Bonds: Denominated in dollars unless otherwise indicated. Chg. day=Change on day. Cnv. date=First date for conversion into shares. Cnv. price=Nominal amount of bond per share expressed in currency of share at conversion rate fixed at issue. Prem=Percentage premium of the current effective price of acquiring shares via the bond over the most recent price of the shares.

The prices over the past week were supplied by: Kredietbank NV; Commerzbank AG; Deutsche Bank AG; Westdeutsche Landesbank Girozentrale; Banque Generale du Luxembourg SA; Banque Internationale Luxembourg; Kredietbank Luxembourg; Algemene Bank Nederland NV; Pierson, Heldring and Pierson; Credit Suisse/Swiss Credit Bank; J. Henry Schroder Wagg and Co.; Bank of Tokyo International; Chemical Bank International; Chase Manhattan; Citicorp International Bank; Daiwa Europe NV; Credit Commercial de France (Securities); LTCB International; Robert Fleming and Co.; First Chicago; Goldman Sachs International Corporation; Hambros Bank; IBJ International; Kidder Peabody International; Merrill Lynch Pierce Fenner and Smith; Morgan Stanley International; Nikko Securities Company (Europe); Nomura International; Orion Royal Bank; Samuel Montagu and Co.; Societe Generale Strauss Turnbull; Sumitomo Finance International; Swiss Bank Corporation International; S. G. Warburg and Co.; Wood Gundy.

UK COMPANY NEWS

Floyd Oil acquires Texaco Spain

FLOYD OIL Participations, independent oil company, is buying Texaco Spain, the Spanish oil operation of Texaco Inc for $19m (£11.8m), in a deal which will almost double the size of the company, writes Lucy Kellaway.

The purchase will be financed by a £15m rights issue, the remainder of which will be used to provide extra cash for the company's existing oil interests in the East Midlands. The terms of the rights issue are three-for-four at 60p a share.

Mr Tod Floyd, chairman and founder, said yesterday that the deal was a unique fit, "and I use that term advisedly."

He said the Spanish assets would provide a flow of income to cover the exploration costs. He added that Spain was attractive because it was relatively little explored, was a lrage importer of oil and had a favourable tax regime.

The assets consist of 3.9m gross acres of onshore and offshore licences, a 25 per cent stake in the Ayoluengo field, the only producing onshore field in Spain which yields 350 barrels of oil a day net, and 25 per cent interest in four gas discoveries in southern Spain containing estimated reserves of 5.9bn cubic feet net.

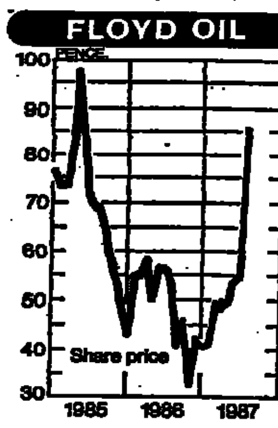
Mr Floyd said that the company had been looking at possible acquisitions in Spain for the past two years. With its large proportion of onshore acreage it was a suitable area for small companies to explore.

Lucy Kellaway analyses the growth of a smaller oil independent

Aiming to please the shareholders

RUNNING A small independent oil company is not about getting an exploration licence in an exciting area and going out with a drill, says Mr Simon Miller, the new chief executive of Floyd Oil Participations. He believes an oil company should be a business first, and its executives should behave like fund managers, acting to please their shareholders rather than their geologists.

Simon Miller, chief executive, Floyd Oil Participations



There is nothing startling about such statements concerning the importance of keeping shareholders happy from new management. Yet to judge from the unusual happenings at Floyd during the past few months, Mr Miller seems to be doing more than theorising.

Yesterday's move into Spain, which doubles the size of the company and makes Floyd one of the few foreign companies with a large presence there, comes just six months after the company bought Hampton's coal interests, and became the biggest private producer of underground coal in the UK.

The company bears little resemblance to the company of only six months ago, when it was one of the smallest of the quoted oil independents, with almost all of its acreage onshore in the East Midlands. While the relatively low costs of onshore drilling had kept it above water during the oil price collapse last year, it had failed to make any significant discoveries, and bringing its small finds into production was proving a wearisome business.

Then it was worth £5m. After yesterday's deal, Floyd will be worth about £40m.

Since January Mr Miller, who has all the smoothness of a Cambridge-educated barrister-turned-merchant banker, has been explaining the new approach to shareholders. "It is no good saying that the East Midlands will produce oil eventually," he says. "You need a clear set of objectives so the market can see and judge what you are doing."

The sales pitch seems to be working, with the shares now worth twice their value at the beginning of the year. Yesterday the market appeared quite unruffled by the prospect of another heavy issue of equity, and pushed the shares up another 2p to 88p.

Mr Millar has told Floyd's shareholders that the company plans to double or triple its discounted asset value per share and to start producing earnings and paying dividends in the next three to five years. Furthermore it intends to make its bundle of assets self-financing, and therefore plans to start generating plenty of cash.

For all the big talk of strategy it is not immediately clear why such disparate purchases as UK coal mines and Spanish oil acreage should be the first choices of the fund manager/oil executive.

On closer inspection, however, they appear to tally with the company's new objectives. Both deals increase asset value per share and each answers different parts of the corporate plan.

The coal assets are there to provide steady earnings, and help the company through the next two years until its oil interests have grown. Since the acquisition Floyd has already increased the earnings potential of the coal mines by selling or closing unprofitable Scottish operations and tightening up the running of the UK ones.

Meanwhile the Spanish acquisition will bring the desired mix of cash flow and exploration opportunities. Even though some analysts yesterday questioned whether Floyd was paying too much for acreage with heavy drilling commitments, the assets appear to be self-financing. The company says that revenues from the producing fields will more than cover the extensive exploration programme planned for the next few years.

Spain, especially onshore, is a suitable place for a small company as costs are low. The likely size of the fields to be found are small, perhaps explaining why Texaco was happy to sell its interests, and the area is relatively underexplored, a hangover from the days when Spain was a dictatorship and shunned by the international oil industry.

Having made two major acquisitions in the last six months Floyd has no plans for a siesta while the market digests the two large equity issues. During the last few months it has been at work constructing its third leg—a machine to produce cash.

The company, which confined itself to the energy sector for the search of its cash flow, has hit on fuel distribution. After having examined several companies and been horrified at the prices commanded by the goodwill built up by the businesses, it has decided to buy in a few people and start its own.

The oil and coal businesses will give Mr Miller, Mr Floyd, the founder and chairman, and the latest merchant banker recruit, Mr Gary Frier, plenty to do. As well as developing existing oil interests in Spain and in the UK, the company is looking for further oil acquisitions. And the coal business, which in the longer term is a gamble on the liberalisation of the industry in the UK, may need reshaping.

Mr Miller fears that coal privatisation could have the unwanted side effect of depressing the price of low-grade UK coal, in which case he plans to become involved in imported coal as a hedge.

Rush & Tompkins tidies balance sheet

BY TERRY POVEY

Rush & Tompkins, contracting and property development company, yesterday announced a series of steps to clean up further its balance sheet along with pre-tax profits of £4.67m for the year to end-March, compared with £3.74m in the 15-months to March 1986.

An extraordinary provision of £5.64m has been made against overseas contract claims. The international contracting arm was closed earlier this year, and the company is working out two final contracts.

In December, the company sold the major part of its property portfolio to Priest Marians, although Marlowe House, an office block in Sidcup which contains its headquarters, has been retained and revalued downwards by £8m. This last item was taken against the revaluation reserve.

As a result the fixed assets total has fallen to £28m, from £63.1m, and the net asset vlue per share from 344p to 215p. Gearing, thanks to the cash from disposals plus the £8m raised by a rights issue of convertible preference shares last August, fell from 100 per cent to 54 per cent even though shareholders funds dropped by £9m to £35.1m.

In 1986-87, turnover was £217m, of which about £200m was in the UK, compared with £184m in the prior 15 months of which all but £20m was UK. Of the pre-tax total about £2m was produced by UK contracting, another £2m was the profit, including net rental income for part of the year, on the disposals to Priest Marians and most of the remainder came from net rental income on the rump of the property portfolio.

After tax paid of £2.04m (£1.48m), attributablet profits were £2.63m (£2.26m). Earnings per share of 17.9p (14.6p) were posted and the proposed final dividend of 7.8j makes the annual payout 10.55p for the year.

● comment

Rush and Tompkins has done itself no favours by producing an uninformative preliminary statement from which most readers would find it divine that anything other than a mess exists. The property developer/trader/refurbisher status that R and T seeks has become a fashionable resting place for many a weary international contractor — but some at least bring to their new role a swag-bag full of undervalued freeholds. The ne wteam at A and T therefore has most of its work ahead of it — especially of the £500m two-year development programme target is to be reached. However, the association with Sibec (vis Walsall and elsewhere) and other developers in the retail sector is providing opportunities and greater throughput for the contracting arm. This year profits of £6m look likely, which puts the shares at 326p on a prospective multiple of 14. Australian entrepreneur Mr Dick Pram, with 12 per cent, thinks the shares arc worth a punt but stay close to shore.

North Sea disposal plans

BY LUCY KELLAWAY

North Sea and General, the small UK oil independent controlled by Apex, a privately owned Australian company, is putting up all its North Sea oil assets for sale.

The company is inviting offers for its North Sea subsidiary or for any of its assets on an individual basis. These assets, which include a unit in the Forties field, 1 per cent of the Claymore field, and about 13 per cent of the Emerald field, which is candidate for early development, as well as a spread of exploration acreage. The assets are expected to fetch a price of well over £10m.

Since last March, when North Sea and General acquired part of Apex's Australian gold and energy interests in return for a controlling stake in the company, the overall balance of assets has been under review.

Hambros, which has been advising the company, said yesterday that the decision to sell the North Sea interests was because there were better opportunities in resources markets elsewhere. The bank said that North Sea costs were unattractively high for a small independent, and that the present firmness in the oil market made now a good time to sell.

James Capel will be conducting the sale.

BULLERS has completed the acquisition of the Saunders Group for £400,000 cash. Saunders makes and distributes pewter figurines, cast plates and tankards.

Tyzack Turner's £9.6m bid

BY STEVEN BUTLER

Tyzack Turner, the Sheffield precision engineer, yesterday announced an agreed £9.61m bid for United Packaging, the packaging goods and machinery maker which is 78 per cent owned by Mr Ernest Ascher.

The bid follows a sharp run-up in the share prices of both companies and will be funded by an issue of Tyzack shares that will expand the company's share capital by approximately one-third.

Four Tyzack ordinary shares will be offered for each nine shares of United Packaging, which yesterday closed at 215p. The bid values United shares at 226.6p.

Tyzack shares have risen from about 180p in mid-May to yesterday's close of 510p. The shares have been substantially rerated following a board reorganisation in February, when Deltight International was acquired.

As a result of the acquisition, Deltight owners, Mr John Newman, once acquisition manager of Hanson Trust, and Mr Nicholas Shipp, acquired 40 per cent of Tyzack shares and joined the Tyzack board.

Mr Ascher, who is 76 years old, has opted to accept a cash alternative for the offer, which amounts to 200p for each United share. This is to be funded by an issue of Tyzack shares at 450p each to be offered to Tyzack shareholders on a one for 1.709 basis.

Directors of Tyzack controlling some 46 per cent of the company will not participate in the offer. Other shares are to be placed, with approximately £1.3m raised to cover the cost of the offer and to reduce borrowing.

Hillsdown Dutch venture

BY NIKKI TAIT

Hillsdown Holdings, the acquisitive food to furniture group, said yesterday that its new joint venture with Dutch businessman, Mr Peter Bakker, could possibly lead on a stake be taken in the Bakker group, large packers and distributors and of fruit and vegetables to Dutch and German supermarket chains.

For the present, formal links will be restricted to a joint venture company—Hillsdown International B.V., based in Rotterdam—in which the UK company will hold a 52 per cent stake and Mr Bakker and his colleagues, 48 per cent.

The new company has limited capital at present, but this will be made available as it pursues an active acquisition policy. It has already agreed to buy a small fruit and vegetable importer/exporter, called B & F Produce. "We are talking to a number of companies now," said Mr Harry Solomon, chairman of Hillsdown yesterday; if these prove fruitful, deals could be struck over the next few weeks and months.

Longer-term, however, Mr Solomon added that Hillsdown might consider Bakker itself as a means of European expansion.

BOOTS has sold Technochemie, a wholly owned German subsidiary, to Deutsche Shell. Its activities were outside Boots core strategies of retailing and manufacturing pharmaceuticals and consumer products.

Sutcliffe Speakman up to £805,000

Sutcliffe Speakman says it is in a strong position to take advantage of expansion opportunities in its fields of activated carbon, environmental engineering and chemical trading.

It intends to return to the dividend list as soon as practicable.

For the year ended March 31 1987 the company continued its improvement and lifted its pretax profit from £171,000 to £805,000, despite losses of £351,000 (£184,000) in the brick plant, now sold.

Operating profit from continuing business rose to £1.5m (£1.05m) while there were on exceptional charges against £344,000 last time.

Earnings for the year were 6.2p (0.8p).

Babcock suspended amid bid rumours

By Clay Harris

BABCOCK INTERNATIONOL will unveil today the reason for the suspension of its shares yesterday afternoon after a 25p rise to 285½p, giving the heavy engineering contractor a market value of £382m.

The company's subsequent silence fuelled speculation of a takeover bid, with attention centring on General Electric Company or BICC, the cables and construction group. Both have been linked with Babcock in recent months, and neither had any comment yesterday.

It appeared possible, however, that Babcock was preparing to take the initiative by announcing an acquisition of new venture.

Babcock's shares have outperformed the market by 10 per cent during the past three months, even before yesterday's 9 per cent advance in a declining market.

One analyst, forecasting earnings of 17.3p for the present year, said that the resulting prospective p/e of 16.5 already contained a large element of bid premium. Like others he estimated that any suitor would be unlikely to have to pay more than £500m.

A takeover of Babcock by GEC or BICC would create Britain's second fully integrated power-station contractor, to compete with Northern Engineering Industries. GEC and Babcock have previously co-operated in bidding for contracts

Babcock's North American activities contributed about 60 per cent of £37.1m in pretax profits last year.

Bremner reprieved

City and Westminster Financial has withdrawn its requisition for an extraordinary meeting at Bremner, the property and department store group. CWF had proposed the dismissal of the Bremner board and its replacement by a rival team, including CWF's chairman, Mr Andrew Greystoke, which would move the group into financial services.

Bremner now proposes to acquire Carswell, the Glasgow stockbroker, a move which CWF says it welcomes. The acquisition will be discussed at a separate extraordinary meeting on Thursday.

Lonrho

Exclusive marketing of all amethyst stones produced in Zambia has been transformed to a company owned 50:50 by Lonrho, the international trading group, and the Government of Zambi:

Hanson Trust seeks approval for increased borrowing limit

BY NIKKI TAIT

Hanson Trust is asking shareholders to alter the company's articles so that its borrowing powers will be substantially increased.

Under the proposed changes, and based on the balance sheet at end-March, Hanson would be able to borrow £4.2bn, compared with the present £2.4bn.

Yesterday, the company refused to comment on whether there were specific acquisitions in view. "This is just housekeeping," said Mr Martin Taylor, a Hanson director, "allowing us to improve flexibility. I don't think we ever comment on what we might be contemplating."

The proposed changes will bring the company's articles into line with its convertible loan stock deeds, which allow directors to borrow up to 2½ times adjusted capital and reserves, but also permit the company to deduct its cash deposits from the amounts already borrowed.

The current articles, by contrast, offer a more generous multiple, three times adjusted capital and reserves, but do not allow for any deduction of existing cash. In Hanson's case the cash element is substantial, a little more than £3bn, according to the interim balance sheet at end-March.

As Hanson points out in its letter to shareholders, US acquisitions have been funded largely out of borrowed money, frequently secured on assets being acquired. This approach, says the company, has been most effective and "we believe it will continue to be advantageous."

An extraordinary meeting is to be held on August 12 to approve the changes.

The company says it has checked the changes with the institutional investment protection committee.

Deritend rejects Carclo bid

BY DAVID WALLER

Deritend Stamping yesterday rejected the £24.6m share-only bid from Carclo Engineering Group, launched late on Friday evening, condemning it as unacceptable in amount, in form and in substance.

The manufacturer of castings and forgings said that the bid represented only an 8 per cent premium to its shares immediately prior to the offer, and that it had been made "on the back of a near 35 per cent rise in the Carclo share price in the last month."

Deritend's shares rose yesterday from 443p to 508p, valuing the company at £26.8m. Carclo's shares rose 15p yesterday to 853p. Its offer of four new shares for every seven Deritend shares values Deriten at 487½p per share.

Deritend said that a meeting with Carclo on Saturday had not persuaded its board of the virtues of the proposed merger and the offer should be rejected by every shareholder.

It added that its profits, earnings and dividends had grown every year for the past four years.

Carclo responded by saying that Deritend's earnings per share had grown at a compound rate of less than 8 per cent during the past four years, against annual growth of more than 25 per cent in Carclo's own earnings in the same period.

It added that its offer was worth two-thirds more than Deritend's share price at the beginning of May.

Delta to buy plumbing fittings maker for £20m

BY PHILIP COGGAN

Delta, the Midlands-based electrical and engineering group, currently involved in a £70m contested bid for George H Scholes, yesterday announced a £20m acquisition.

The companies being purchased are the European subsidiaries of Nibco, a US plumbing fittings manufacturer, for which Delta is paying £4m cash and assuming £16m of borrowings.

Nibco manufactures the end feed type of tube fitting and will join Delta's other fittings brands—Conex and Delcop—in the fluid controls division. The European Nibco businesses have annual sales of around £35m and Delta has the right to use the Nibco brand name for ten years.

No details of Nibco's European profits are being revealed.

Scholes's shares currently stand at 613p against Delta's cash alternative at 550p.

S & N sells Norfolk stake

Scottish and Newcastle Breweries yesterday disposed of its 4.98 per cent stake in Norfolk Capital, the hotel group. This follows the Kuwait Investment Office's disposal of its 14 per cent holding in Norfolk earlier this month.

Mr Alick Rankin, S and N's chief executive, said that the stake was put out to tender and was bought outright by an unnamed market-maker. He would not disclose the price obtained for the shares.

The disposal prompted mild speculation that S and N might renew its bid for Matthew Brown, the regional brewer for which it made an unsuccessful offer in 1985 and in which it retains a 26 per cent stake. Mr Rankin said that the sale of Norfolk shares was a "single, isolated management decision."

Matthew Brown's shares rose 9p to 673p; Norfolk's shares fell from 51½p to 48½p and S and N's shares declined 31½p to 254p.

Waterford's divestment under way

By Janice Warman

Waterford Glass Group has sold Wedgwood's sanitaryware division for £23.75m in the first of a series of divestments aimed to reduce its high gearing level following the £250m purchase last year.

In March Waterford announced it was to shed fringe parts of Wedgwood in a disposal programme which could raise more than £60m.

Since then it has decided to keep some divisions, such as the Adams and Midwinter earthenware lines, but is in discussions to sell Wedgwood's Australian warehouse and a small Welsh porcelain manufacturer.

Mr Gerald Dempsey, a director of Waterford, said the sale should take 30 percentage points off the group's gearing level.

Shires Bathrooms, is the buyer of the division (Trent Sanitaryware) and is one of the UK's leading ceramic sanitaryware producers. Trent made a trading profit of £1.75m on sales of £8.24m in the year to March 28, 1987, with net assets at about £3.1m.

Unknown suitor in approach to Dominion

By Steven Butler

Dominion International, the financial services, property and resources group chaired by Mr Max Lewinsohn, yesterday said it had received an approach that could lead to an offer for the company at close to its current share price, which yesterday fell 1p to 133p.

City analysts were in the dark about who the suitor might be, but said the financial services side of the business was the most attractive part of the group.

Dominion International is going through a restructuring process. It is expected to be out of UK property development by the end of the year, and is preparing to shed resource interests in due course, while continuing to make acquisitions in financial services.

Mr Michael Woolley, director of investment, said the approach to the company came at the weekend. Dominion decided it should make an early announcement in view of the performance of its shares, which have risen from 109p in the past two weeks.

Dominion shares have long traded at a discount to the market, with a prospective p/e of about nine after the recent price rise, based on earnings forecasts of about £10m. Profits in the year to the end of March were off 22 per cent at £8.56m.

Lanca acquisition and rights issue

Lanca, the handbag manufacturer and wholesaler, announces the £2m acquisition of Frankel & Roth (International) and a one-for-three rights issue.

Frankel and Roth is a character merchandising company which produces goods under licence based on characters such as My Little Pony and Thomas the Tank Engine.

Consideration will be in the form of 1.93m shares, of which 1m will be retained by the vendors and the rest offered to shareholders as part of the rights issue. Just under 2.34m shares are being offered in the rights at 70p each.

Allied-Lyons Toronto listing

Allied-Lyons, the food and drinks group, yesterday announced that it is seeking a listing on the Toronto Stock Exchange. It is offering 17.7m new shares, or 2.49 per cent of its issued share capital, to Canadian investors at $9.85 per share, the equivalent of 457p per share. This compares with Allied's closing price of 456½p yesterday, down 9½p.

TRIBUNE Investment Trust: Net asset value per share 247.2p (181.7p) at end of six months to June 30 1987. Earnings per share 2.17p (1.85p) and unchanged interim dividend of 0.65p.

PHOTAX (LONDON) has requested temporary suspension of its listing because it is in discussions which are expected to lead to significant acquisitions.

Kingston Oil valued at £7m

Kingston Oil & Gas, the US oil company seeking a stock market quotation, has published the prospectus for a placing which will give it a market capitalisation of just over £7m.

The issue has three joint sponsors: Brown Shipley, Laurence Prust, and Quayle Munro. They are placing 2.4m new ordinary shares, representing 34 per cent of the company's enlarged equity, at 100p a share.

Kingston is a newly-formed oil and gas production company so it comes to the market without a trading record or a p/e ratio.

It operates 474 wells in Ohio and plans to use the funds raised through the placing to develop those properties and to acquire new ones.

COMPANY NEWS IN BRIEF

NEW ZEALAND-based Brierley group has increased its stake in Equity & Law Life Assurance to just over 29 per cent—very close to the level at which it would be obliged to make a bid if it continued making purchases. Last night E&L closed at 366p, up 2p.

LAPORTE is making further expansion in the range of highly specialised chemicals and services it provides to the semiconductor industry with the acquisition of Compugraphics International and its parent Caledonian Applied Technology. Compugraphics was the subject of a management buy out in 1982.

ALEXON GROUP sales were substantially ahead of the same period last year, annual meeting was told. Group was building on good profit levels already achieved in Alexon and future demand was strong for Claremont's products.

CHAPMAN INDUSTRIES is paying £674,500 for Eden Packaging Products of Wimbledon, maker of corrugated packaging and related materials. Consideration will be satisfied by the issue of £250,000 4½ per cent convertible (into ordinary) loan stock, a £225,000 redeemable and a £199,500 redeemable loan stock, carrying a zero coupon.

ARMSTRONG EQUIPMENT has agreed to a management-worker buy-out of the assets, machinery and business of its presswork division in Coventry for £2m cash.

ATLANTIC ASSETS TRUST is paying a dividend of 1p net for the year ended June 30 1987 (0.6p plus 0.5p special previously) from earnings of 1.25p (1.31p). Total income £3.42m (£3.38m) and taxed revenue £1.6m (£1.68m). Net asset value per share 160.2p (143.8p).

ALPINE SOFT DRINKS shares were suspended yesterday at the company's request, pending a further announcement. The shares moved up sharply last week, from 49p on Tuesday to the suspension price of 63p, at which the company is capitalised at £6.3m.

BRODIAN, the nominee company representing personal interests of James Ferguson directors Mr Peter Clowes and Mr Guy Cramer, has raised its voting stake in C. H. Bailey, the ship-repairer and leisure group, from 18 per cent at the end of last week to 29.64 per cent. Brodian is currently making a hostile bid for Buckley's Brewery.

ANGLO-UNITED has acquired the wholesale coal merchanting operations of Fife Freight Handling Company and the coal retailing activities of W. and A. Matthew, both based in Kircaldy, Fife. Joint consideration is about £650,000. A subsidiary, Fife Freight and Fuel Supples, has been formed for this venture.

DIVIDENDS ANNOUNCED

	Current payment	Date of payment	Corres-ponding div	Total for year	Total last year
Aim Group	4.1	Oct 1	3.85	6	5.75
Philip Harris	6.25	—	5.5	10	9.25
Rush & Tompkins	7.8	Oct 9	2.2	10.55†	10.65‖
Stirling Group	1.45	Oct 16	1	2.3	1.6

Dividends shown pence per share net except where otherwise stated. * Equivalent after allowing for scrip issue. † On capital increased by rights and/or acquisition issues. ‡ USM stock. § Unquoted stock. ¶ Third market. ‖ For 15 months.

Nikki Tait on the ABI's new guidelines on executive share options

Burton compromise was the model

Sir Ralph Halpern, the flamboyant chairman and chief executive of Burton Group, could be forgiven a wry smile.

For the latest guidelines from Britain's largest insurance companies on executive share options, published last week, fall slap in line with what he fought so hard to do.

True, Burton itself made a few vital amendments to its scheme before securing shareholders' backing by a two to one majority last January. But now the Association of British Insurers—one of the major groups of institutional shareholders—has enshrined its key features.

The new guidelines include performance-linking for all share options, higher limits on the amounts of options which can be granted, and the use of independent remuneration committees to oversee schemes' implementation. From maverick to model, it seems, in just six months.

But while the likes of Burton may give thanks for this public support, how will other companies react? Is there a tide of schemes about to embrace the same philosophy—or will companies be deterred from extending share option schemes by the newly-voiced tougher conditions?

Burton's headaches began when details of its new executive option scheme hit the press in early-January. The proposals were mould-breaking in three ways: the scale of the potential options involved, their size relative to Burton's capital, and the degree of performance-linking.

In essence, they proposed that some 80 senior employees should be eligible for A options, worth up to four times emoluments, and exercisable only if real earnings per share growth reached 30 per cent in the five year period, plus B options, potentially worth a further four times emoluments, but this time only exercisable if eps growth over a similar period put Burton in the top 25 FT 100-Share companies.

In short, the maximum volume of options could be eight times salary. Moreover, it was proposed that up to 10 per cent of Burton's capital could be involved under the executive scheme.

That cut across institutional guidelines. Both the ABI and the National Association of Pension Funds normally stipu- multiple—the limit accepted by Inland Revenue if option holders wish to pay capital gains (rather than income) tax on any profit made.

No more than 5 per cent of a company's equity, the old guidelines indicated, should be issued under executive option schemes and no more than ten under option schemes overall.

Burton was by no means the first company to challenge those limits. Hanson Trust started the process in 1984, and Dixons had followed suit. In both cases, in going beyond the four times or 5 per cent constraints, they had made exercise of these additional options conditional on performance targets.

But there was an added problem at Burton. Salary levels within the group were high; directors earned £3.5m last year, £2.4m through performance-related payments. Sir Ralph's own share was £1m. The multiples began to look very juicy indeed.

EARNINGS PER SHARE GROWTH RANKINGS

(Over five years to December 31, 1986)

1. BPCC
2. Amstrad
3. Woolworth
4. Fisons
5. GKN
6. Saatchi & Saatchi
7. Burton
8. Dee
9. Glaxo
10. Hanson Trust

Source: William Mercer Fraser

What emerged was something of a compromise. Burton agreed to place a £2.5m "cap" on the value of options granted to any single individual under the scheme; and emphasised the 10 per cent limit on equity issued under all schemes. But the eight times multiple and all the performance-linking remained intact.

The insurance companies clearly feel the compromise was a happy one. Broadly, their new guidelines recommend:

- A minimum performance requirement before any options can be exercised — namely, that during the option period there should have been a real growth in the company's p/e.
- That the value of options granted may exceed four times salary and five per cent of capital, but these "super-options" can only be exercised five years after the date of grant and then only if growth in eps puts the company in the top quartile of Footsie companies;
- that, overall, a limit of 10 per cent for all employee share schemes should rule, as should eight times salary;
- that an independent remuneration committee should oversee the grant and exercise of options;
- and that where the annual remuneration of senior employees already includes a substantial performance - related element, individual "caps" should be considered.

Sir Ralph Halpern, chairman of Burton Group

According to Mr Colin Parker, chairman of the ABI's investment protection committee, the requirement that "super-options" can only be exercised if fairly stiff performance criteria are met, is the point on which the insurers will always stick. The rest is a statement of best practice and "something for which we will be pushing."

Whether the pension funds fall in line is a moot point. Mr John McLachlan, who heads the NAPF's investment committee, will say only that the matter "is under consideration." But, where as the ABI was supportive of the "capped" Burton scheme, the NAPF steered a more cautious tack, suggesting that members might still wish to question its tax-efficiency and the performance criteria.

But whatever their decision, remuneration consultants are cautious about predicting a backlog of companies apeing the Burton model. They point out that over the past few months any companies worried by the Burton experience would have found the basic concept encouraged if they approached the ABI.

Moreover, although some particularly aggressive companies introduced option schemes back in the late seventies and hence are bumping up against the earlier limits—the case at Burton—many also came in with the 1984 tax changes. Generally, these companies will not face the question of extending or replacing schemes for another year or two.

And even then, the number of companies meeting super-option conditions must necessarily be limited.

Watson and Philip deal

Watson and Philip, the Dundee-based food distributor, is to buy two private companies for a total £4.95m cash. This will be raised by a vendor placing of 2.15m new shares at 230p.

Watson intends to place a further 380,000 shares to raise an additional £874,000, to cover the cost of the transactions and provide additional working capital.

In total, Watson's equity will expand by a fifth, and existing shareholders will be entitled to apply for the shares under a 100 per cent claw-back facility.

The companies being acquired are Turner Brothers Bakers Sundries, supplier to manufacturing bakers, caterers and allied trades, mainly in Yorkshire and Greater Manchester; and Ian Yates, operator of a specialist confectionery and tobacco cash and carry business.

The two companies made pre-tax profits of £692,000 in their last financial years, on turnover of £34.8m. This compares with Watson's pre-tax profits of £1.66m in the year to October 1, 1986 and £927,000 in the half year to May 1.

T. Robinson acquisition

Thomas Robinson Group, the rapidly expanding engineer and machine maker, has acquired Hambro Machinery, a private company, for about £5m.

Hambro makes processing and conveying machinery for the tea and tobacco industries. It generated pre-tax profits of £636,000 on £2.88m turnover in the year to March 31, 1987, and has warranted taxable profits of £1.5m for the 18 months to the end of December 1988.

The purchase is to be financed by the issue of 862,000 new Robinson shares, representing under 4 per cent of the enlarged equity. Of these, 812,000 are to be placed by Phillips and Drew and Henry Cooke Lumsden at 588p per share, and the balance is to be retained by the vendors.

SHARE STAKES

Atlantic Computers—Director M. M. Hogg disposed of 68,365 ordinary at 748p.

Greene, King and Sons—Director G. C. Greene purchased 125,000 ordinary at 397p.

Time Products—Director R. G. Baker sold 100,000 ordinary at 206p.

Martin Ford—The following directors have exercised options at 70p. N. Wallace 285,714 ordinary; I. Sellar 142,857 ordinary, M. Morris 142,857 ordinary.

SPP—Chairman J. A. Nutt sold 40,000 ordinary at 149p.

Polly Peck—Director J. Harris and his wife acquired 10,000 shares at 318p and hold 130,000.

Tarmac—Director J. Mawdsley sold 7,000 ordinary at 310p.

Richards (Leicester)—P. G. Richards (Leicester)—P. G. D. Hodgson acquired a further 28,825 ordinary and now holds 393,825 (approximately 19.7 per cent).

Sale Tilney—Director R. T. Scott sold 18,000 ordinary at 337½p.

Williams Holdings—Following directors acquired shares pursuant to the recent placing agreement in connection with the acquisition of Crown Paints and Polycell—A. N. Rudd (452,688), B. D. McGowan (201,637); W. W. Rhodes (111,298).

UK COMPANY NEWS

Philip Harris rises to £1.2m

From a turnover increase of 8.6 per cent in the year ended March 31 1987 Philip Harris (Holdings) has lifted its pre-tax profit by almost 9 per cent. The group supplies equipment and materials to the scientific, educational and medical markets.

Sales came to £47.42m (£43.67m) and the profit to £1.19m (£1.09m). From earnings of 23.79p (20.88p) the final dividend is 6.25p for a net total of 10p (9.25p).

The current year should be another one of good progress, the directors said. They were pleased with the growing strength of home based operations.

The scientific supplies company, acquired in August, made useful contribution to trading.

Conditions in the Third World continued to be difficult and routine exports suffered badly. However, there was still good business to be won, including longer term prospects of new major projects.

The Sultan Qaboos University, Muscat, contract with its loan funding already in place has not been constrained. Year's shipment totalled £9.3m, against a £10.4m budget, but the shortfall will be made good before completion of Phase 11 in September.

The medical company had good trading with sales up 16.3 per cent to £27.4m.

Tuskar receives 73% acceptances

Tuskar Resources, the USM-quoted Irish offshore oil exploration group which last month made an agreed I£8.2m bid for **Ardmore** Petroleum, an Irish exploration group quoted on the third market, said it had received acceptances for 73 per cent of *Ardmore's shares. The offer* document should go out early this week.

Meanwhile director Mr Richard O'Toole has quit Tuskar's board because of what Tuskar described as a difference of opinion between himself and other members of the board.

Speyhawk £7m deal

Speyhawk is paying £7m to purchase **J. A. and M. A. Carter** (Holdings), a private company developing out of town retail property and which has close associations with leading food and consumer durable retailers.

For the year ended March 31 1987, Carter produced turnover of £18.2m (£9.4m) and pre-tax profits of £214,000 (£1m).

The consideration will be met by the issue of nearly 1.29m shares of Speyhawk, of which 1.2m have been placed to raise £6.5m net.

Hobsons purchase

Hobsons has bought **Johansen Publications**, a privately-owned publisher of a guide to prestige hotels in Britain, for £1.05m to be satisfied by the issue of 251,498 new ordinary shares. Further consideration of up to £100,000 will depend on JPL's post-tax profits for 1988.

JPL made profits before directors' remuneration of £145,000 on turnover of £275,000 in the year to February 28 1987.

F.T. Share Information

The following securities have been added to the Share Information Service:

Barrett (H.) (Section: Industrials).
Bonded Laminated Plastics (Chemicals).
Colographic (Paper, Printing).
Cresta (Industrials).
Far East Resources (Third Market).
St Gobain (Industrials).
Saltire Insurance Invs (Insurance).
UCL Group (Electricals).
USF & G Corp (Insurance).

Forster helps Stirling to 49% profits increase

INCLUDING a full year's contribution from B. Forster, sales of the **Stirling Group** rose 48 per cent and pre-tax profit 49 per cent in the year ended March 31 1987.

Sales came to £39m (£26m) and prots to £3.52m (£2.38m). The acquisition of Forster took the group into new product lines and it now provides Marks & Spencer with a wide range of casual wear, ladies outerwear, lingerie and swimwear.

As Forsetr was more fully integrated into the group the directors were confident that further margin improvements could be obtained.

They said they looked forward to another satisfactory year. First quarter was in line with budget and the financial position remained strong.

The group had recently purchased *land adjacent to existing* factories as well as additional warehouse capacity to ensure future expansion.

Forster accounted *for some* 30 per cent of turnover and 23 per cent of profit in 1986-87. As a result the greater part of the additional consideration will be paid.

Earnings surged to 19.24p (15.35p) pre-tax but worked *through at 12.95p (11.35p)* after tax of £1.14m (£617,000). To reduce the high levels of dividend cover the *final* payment is 1.45p for a net total of 2.3p, compared with 1.6p. There is to be a one-for-one scrip issue.

• comment

Dependence on one supplier has never been seen as wise management, even when the supplier is Marks and Spencer. But Stirling has consistently improved margins and profits *over* the *past* eight years and this time narrowly outperformed the market's forecast of £3.4m. The benefits of the Forster acquisition came through far quicker than the company expected, but underlying growth is also steady. The conservative approach of its *management* has resulted in nil gearing even in a year of expansion and leaves the board free to fund further acquisitions as it pleases—with cash, paper or a combination of the two. Its long-term aim is to reduce its supplies to M & S to around 85 per cent of its output, which will make it more attractive to the institutions. In the shorter term it is on the lookout for other M & S suppliers, hoping to diversify within its proven area of competence. The City is expecting around £4½m next time, which on yesterday's share price of 200p puts it on an undemanding prospective p/e of just under 13.

Aim accelerates to £2.4m

A SHARP acceleration in the growth rate of **Aim Group** was seen in the second half of 1986-87 when pre-tax profits surged by 64 per cent and the final *outcome for the year as a whole* was an improvement of 36.5 per cent from £1.73m to £2.36m.

Mr James Legon, chairman, said that the aviation division had still to reap the full benefit of increased capacity in a market which continued to expand. The new fire regulations, ageing fleet refurbishments and the company's involvement with new generation aircraft should ensure a higher volume next year.

All companies within the aviation division achieved record turnover which in total was 20 per cent above the preceding year.

The property development division also had an excellent year with nearly doubled profits on 37 per cent higher turnover. The division continued to benefit from lower interest

Mr Legon concluded that he was confident that the group would continue to show real growth over the next 12 months. Turnover last year increased from £24.16m to £25.32m; tax took £888,000 (£721,000) leaving available profits of £1.47m (£1.01m) with earnings per share up 46 per cent from 9.6p to 14p.

The dividend is increased from 5.75p to 6p per 10p share with a proposed final payment of 4.1p.

Burns-Anderson makes £2m disposal

BY CLAY HARRIS

Burns-Anderson yesterday sold its steel stockholding subsidiary in a deal worth a total of about £2.1m to the emerging financial services group. KB Reinforcements was bought by Bowmer & Kirkland, a private Derby-based company.

Burns is now on course to *raise more than £10m from the* disposal of its non-financial interests, Mr Alan Moore, chief executive, said yesterday.

The sale of Lycett and Platt, a shopfitter and interior contractor, to Raine Industries earlier this month is estimated to have netted £6.4m for Burns. The Knibbs group of motor dealers, the last subsidiary up for sale, is under option to a possible buyer, Mr Moore said.

The three operations being sold contributed pre-tax profits *of £960,000 in* the year *to last* September. "We can redeploy the proceeds much more effectively," Mr Moore said. He expected the cash to be used as initial payments on financial activities which would contribute as much as £5m pre-tax.

Bowmer is paying Burns £1.2m in cash for KB, which adapts, stores and supplies steel reinforcements for the building industry. Burns will also receive £600,000 in inter-group dividends for the current year and *the repayment of* £266,000 in inter-group debt.

KB achieved profits of £234,456 before tax and central management charges in 1985-86.

Business Opportunities

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For an initial confidential discussion please telephone The Chairman on 0625 532 369

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Essex CM1 1JA

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For further information please contact the Joint Administrative Receivers, Mr. A. R. Houghton or Mr. J. P. Richards.

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Enquiries to: David Wild, FCA
Joint Administrative Receiver, or
Stephen Quinn, ACA

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MANAGEMENT: Small business

EDITED BY CHRISTOPHER LORENZ

Donprint

Putting a marker on a high quality niche

James Buxton reports on the single-minded approach to training and marketing of a Scottish specialist label manufacturer

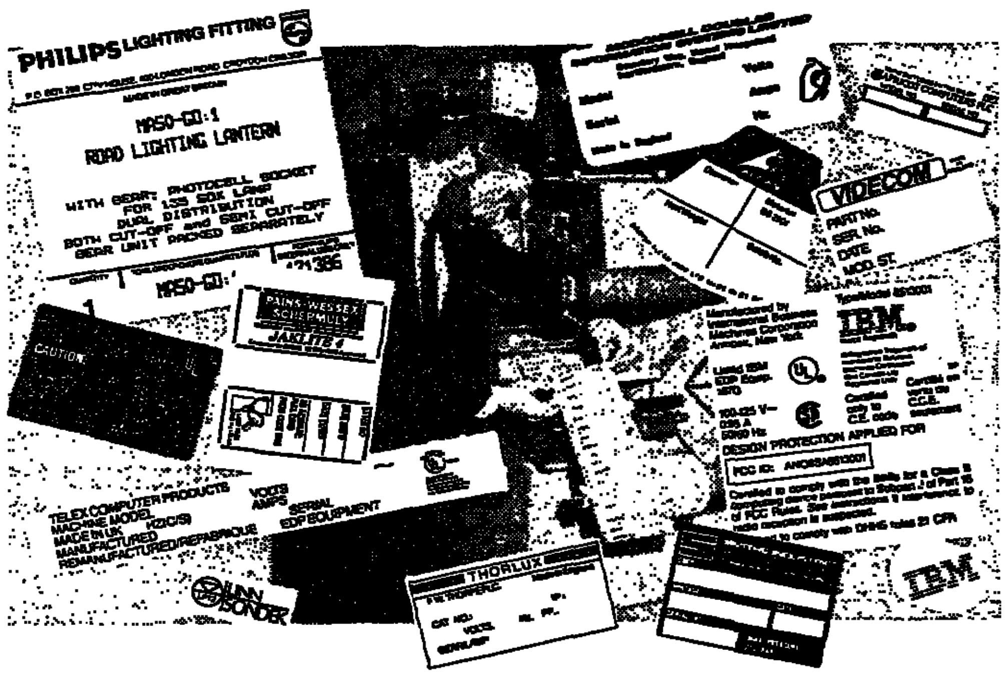
A FEW MONTHS ago Donprint, a company which produces label systems at East Kilbride in Scotland, set out to recruit ten new employees. It wanted sales staff, people with secretarial skills, and others with printing experience.

But, after advertising in local newspapers, using two recruitment agencies, scanning job centres and widening the search to cover the entire Glasgow area, the company failed to find anyone who had the required skills combined with the sense of motivation it wanted. "It was painful," says Desmond Donohoe, the company's sole shareholder and managing director. "We wanted people who sought a career. The people who came to us only seemed to want a job."

Donoprint, however, refused to accept second best. It decided to hire six people fresh from school or college and give them a six-month in-house training course, covering all aspects of the business from printing to accounts, and involving a two-day induction session with the managing director himself.

At the end of the course Donprint intends to assign the trainees to whatever section of the business they have shown the most aptitude for. Over the next two years it will run further courses for recruits every six months.

Donprint's attitude to training might appear remarkable even in a medium-sized company. But Donprint only has 33 employees, including the six trainees, and last year it only had about 20. Though its annual sales have risen quickly, this year they are expected to reach only £1.6m. For Donprint is a company with big long-term objectives.



Desmond Donohoe: Taking a risk with training, but feels: "If we can't hold good people there must be something wrong with the company"

Donprint provides systems for printing highly durable self-adhesive labels, such as those found on personal computers or power tools. It is one of the first companies in Britain to exploit printing and computer software technology that enables companies to print part or all of their own product labels on metallised polyester, a technique which is gradually replacing the traditional anodised aluminium labels on which serial numbers have to be hammered.

Donprint is interested only in the high quality segment of the labels market — durable labels for such industries as electronics, aerospace, defence and appliances. It supplies its customers—which include IBM and Digital Equipment—with pre-printed labels containing standard information on the product, and the keyboards, screens and printers with which the customer can compose and print variable information—such as serial numbers—on to the label.

In a recent innovation, the customer can now print the entire label himself. Donprint supplies the partially printed or blank labels, and provides maintenance under a service agreement.

Donprint is in competition with about 25 or 30 other companies in Britain, many of them US-owned, providing computerised label systems. Donohoe, who is now 37, founded it from nothing in 1979 as a one-man business which in its first year had sales of around £20,000. Donohoe, a marine engineer by profession, had earlier worked for a multinational company that makes electro-mechanical label-making machinery. He decided that the future lay in supplying label-making systems and providing a service rather than making machinery.

Donprint now believes the total UK label market is worth about £160m. Of this the high-technology segment for which it is aiming may be worth between £20m and £25m. The company believes it has about 7 per cent of this segment, but its aim is to reach 20 per cent by 1990, by which time he expects sales to reach £5m. Then it intends to turn to overseas markets.

Donohoe, a friendly but very determined Glaswegian whose father was an Irish immigrant, attributes the company's success so far partly to a determined approach to marketing and partly to high levels of efficiency. "It's a question of looking at opportunities in the market place and being able to service them profitably on a long-term basis," he says. The company, he says, has made profits every year since it began.

His own speciality is marketing — which he studied in Glasgow — and the day-to-day running of the company is in the hands of Ray Kirk, the general manager, with whom he shares a small office.

Five years ago, after a year of persuasion, IBM approved Donprint as one of its labelling system vendors to its personal computer plant at Greenock. Both for 1985 and 1986 Donprint won one of the awards IBM gives its vendors for Quality Excellence. "That entails," Donohoe says, "shipping a zero defect product for 12 months—meeting their standards on all four categories: quality, delivery, administration and response." Donprint was also co-winner of the National Small Business Efficiency Award last year.

Efficiency, in Donohoe's view, means being able to respond quickly to customers' needs. For example, when a customer has a problem with his labelling system he connects his equipment via the telephone to Donprint's plant where any fault in the software can be diagnosed. If the fault is in the printer Donprint sends a replacement printer to the customer within 24 hours.

Donohoe believes that a new software system the company is shortly to start marketing will leapfrog its competitors. He has also strengthened the company's prospects by gaining, at the cost of about £60,000, approval from both US and Canadian standards authorities for almost its entire range of products. These countries set very exacting standards because labels on, for example, electrical goods, have an important safety function.

Donohoe sees gaining these approvals as a "Japanese-style" long-term step. Donprint does not currently export its products or systems. But with the North American approvals customers know that products carrying Donprint labels can in effect be exported worldwide, and the company gains credibility through having achieved the standards.

Donprint's recruiting and training policy shows the same attitude to building up long-term strengths "We'd much rather it could be done outside the company," says Donohue, "but we want a highly able, flexible labour force." He admits he is taking a risk because the trainees are under no obligation to stay with the company, but, he says: "If we can't hold good people there must be something wrong with the company."

Donprint plans to go from 16 hour to 24 hour working when, in a few weeks' time, it moves from its current nondescript 4,500 square foot industrial unit to a purpose-built plant on a science park in East Kilbride

In addition to the trainees, Donprint will also be recruiting middle management staff to give the company "all the disciplines it needs" to seek a USM or stock exchange listing when its current objectives are fulfilled by 1990 or 1991. "I'm not saying we will necessarily do that," says Donohoe, "but if we did it would be to finance expansion abroad" Donohoe is already pondering whether expanision would be through franchising, joint ventures or subsidiaries.

A safer way of exporting

EXPORTING can be exciting and rewarding for any smaller businessman. But moving into overseas markets for the first time can also be a quick route to bankruptcy.

Without a well planned export strategy a small business can easily find that the resources that have been hard won in domestic markets will disappear down a plughole of red tape, late payments and bad debts, misunderstandings, inadequate administration and a host of other problems in overseas markets.

Exporting should never be embarked upon just because it seems like a "good idea" in the face of flattening or declining domestic sales. The step should be taken for a sound reason or combination of reasons: a good product; underused production capacity; to iron out seasonal variations in domestic demand; a home market that is too small.

But even if all this is recognised, many small companies hesitate to take the exporting step because of the uncertainties faced and because they do not know how best to embark on their mission and where to go for information and advice, says the author of a book* which aims to provide a step by step guide to exporting.

The author, Brian Ogley, wrote the guide following an enquiry carried out for the Small Business Research Trust in 1985. The SBRT project was set up to identify the problems facing managers in small UK firms and to offer cost-effective solutions.

Ogley suggests that there is no shortage of resources for budding exporters—but to make them more easily available an "export infrastructure" within a country or region should be established—"that is, a co-operating, co-ordinated and interactive network of private and public sector organisations which are working together with the objective of helping small firms with export potential to become profitable exporters."

The book assumes the reader will have little or no experience of working in foreign markets. It therefore starts by asking "why export?" and then proceeds by stages to prompt the reader to analyse whether he or she is sufficiently commited, has the resources and can recognise and resolve any weaknesses in their businesses.

That there is a need for more export oriented small businesses in the UK is unarguable. As Ogley points out, there is evidence that Continental European competitors give a higher priority to exporting than is the practice in the UK, "and they also allocate more staff, financial and other resources to it.

Exporting, Step by Step to Success, published by Harper and Row on behalf of the Small Business Research Trust, £7.95.

In brief . . .

FINDING suitable premises is a problem for many small businesses. When your space requirements fluctuate from month to month because you are storing bulky items before delivering or installing them the difficulties can magnify.

The small businessman who works from his bedroom or his garage will probably not have any extra space at home. Similarly the company which has salesmen or installers covering a large geographical area may want to store goods close to the final customer.

Even if a businessman can find small external storage space it is often damp, leaky, ill-lit or insecure.

Private Access Storage believes it has the anser to these problems with a network of warehouse sites around England containing small short-term storage units for rent. The units, from 60 sq ft and upards in size, provide secure storage space for periods of a week or more with seven-day-a-week access.

Apart from providing storage space Private Access's staff will check goods in and out, keep an inventory, issue receipts and arrange for loading and unloading. A 150-sq ft Selfstor would cost £135 a month rising to £270 if all the additional services were made use of.

Private Access, a venture launched in May 1986 by former Mobil director Frank Squires, currently has seven locations in places such as Basingstoke and Bournemouth but plans for at least 20 by the end of the year.

Contact Tel 0635 523355.

●

An electrical information network linking Durham University Business School and 11 enterprise agencies in the north-east of England is being set up with the aid of £25,000 worth of equipment donated by ICL, the UK computer group.

The agencies will be able to call up information on special loan and grant schemes, premises, "marriage-broking" opportunities and training programmes as well as being able to make use of ICL's data base.

Contact: Mike Scott, Durham University Business School. Tel: 091-374 2244.

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THE Industrial Society has just completed its first workshop aimed specifically at helping members of an ethnic minority group to launch their own businesses.

Eight Vietnamese have taken part in the society's "Head Start" workshop. All live in North Peckham, within the Government's Task Force zone, and all were in business in Vietnam before coming to the UK eight years ago.

The Head Start course has received backing from businesses including Reuters, Lloyd's Bank, Spicer and Pegler, Deloittes and Southwark-based Holborn Engraving. Other organisations involved have been the London Borough of Southwark, the Southwark Adult Education Institute and Wandsworth Enterprise Agency.

All of the eight entrepreneurs have now been given a "Business Mate" to help them find finance and premises and to guide them through their first year of trading. Businesses being established include a frozen food delivery firm, a Vietnamese take-away, a new magazine for Vietnamese women and a women's fashion firm.

The Industrial Society says that it has influenced 3,000 young people during its first eight months' work in six of the Government's Task Force zones. This has been done through both the Head Start programme and schools/industry conferences which have together received support from more than 200 employers.

FT LAW REPORTS

Quasi-bailees liable for lost goods

METAALHANDEL JA MAGNUS BV v ARDFIELDS TRANSPORT LTD AND ANOTHER
Queen's Bench Division (Commercial Court): Mr Justice Gatehouse: May 20 1987

A PERSON who contracts to collect and store goods cannot delegate his duty to exercise reasonable care for their safety; and accordingly, if he subcontracts the operation so that the goods never come into his possession, but fails to ensure that the subcontractor's storage system is safe, he is liable if the goods are lost as a result of its deficiencies.

Mr Justice Gatehouse so held when giving judgment for the plaintiffs, Metaalhandel JA Magnus BV, in a claim for loss of stored goods against the defendant transport company, Ardfields Transport Ltd.

HIS LORDSHIP said that Metaalhandel were dealers in non-ferrous metals. Their headquarters were in Amsterdam.

On January 12 1984 they purchased about two metric tons of thoriated tungsten rods packed in 12 sealed drums from sellers near Brighton. Tungsten, used in electric light filaments and various alloys, was a valuable metal.

At that time Metaalhandel had no sub-sale in view and wanted to store the goods in or near London. They sought quotations from, among others, Ardfields, with whom they had done infrequent business in the past.

There followed an exchange of telex messages culminating in a quotation in sterling by Ardfields on January 18 1984 for transport, handling charges and storage, which was accepted on January 19 by Metaalhandel.

On the same day Ardfields telexed that the drums would be stored at its warehouse in St Albans. On January 25 it telexed that due to lack of space at St Albans, the drums were now to be placed at Jones Transport in Ashford, Middlesex.

It was not disputed that Ardfields had entered into a sub-contract with Jones for collection and storage of the goods at an advantageous price.

No reply was received to Ardfields' telex of January 25, but thereafter it was invoiced by Jones for storage at £2.20 per week, and in turn it invoiced Metaalhandel at £5 per week, and was paid up to September 29 1984.

Unknown to Metaalhandel, and apparently unknown to Ardfields, the goods were removed from Jones's warehouse on August 8 and had not been traced since. The matter came to light only when Metaalhandel, having arranged to sell part of the goods, telexed Ardfields on October 10 asking it to quote for transporting them to another destination.

The matter was put into the hands of insurers and on August 7 the present action was begun against Ardfields and Jones. Jones had ceased trading and took no part in the proceedings.

On the evidence there seemed to have been no real system for the collection of goods from the warehouse. Sometimes there would be documentation presented by the driver of the collecting lorry, sometimes not.

Mr Beech, a general factotum at Jones, said that before the goods were removed on August 8 he had had two telephone calls about their collection from someone whose voice he recognised at the time but whose identity he could not now remember.

Then, early in the morning of August 8 he said, a lorry came to collect the goods. He thought it was an Ardfields lorry. He could not remember seeing the driver before. He was presented with a document which apparently caused him no concern, but which was about as suspect an authority as could be imagined.

It was a photocopy of a sheet of Ardfields' stationery, undated, unsigned and with no reference. It did not identify the person "authorised" to collect the goods. It merely said "Please release to bearer . . . 12 drums. . ." It did not indicate the consignee other than "for onward delivery."

The driver signed the document illegibly, and there was no indication as to his name, or the name of his employers (save the inference one could draw from the photostat).

Thereafter no further invoices were raised by Jones. That did not seem to have alerted Ardfields, who continued to send Jones a monthly computer print-out indicating what it expected to be invoiced for, including the drums, up to the end of August. It also continued to invoice Metaalhandel up to the end of September, though it was no longer paying Jones under the sub-contract.

Both sides accepted that the goods were misappropriated on August 8.

The court was satisfied on the evidence that the system operated by Jones was insecure, and that Mr Beech was negligent on August 8 1984. It found that he did not, on the balance of probabilities, receive any warning telephone call prior to that date from a voice he could recognise, and that he released the goods to some unidentified rogue on the strength simply of a bogus document which cried out for caution and further investigation.

Ardfields had used Jones frequently as carriers in the past. It had not used them as warehousemen except on infrequent occasions. Apparently no-one from Ardfields had been down to check on Jones's premises from a security point of view, and there were no written instructions from Ardfields setting out the system it expected from its sub-contractor.

Mr Beech was negligent, but also Ardfields had not taken sufficient care to check on Jones's system for safeguarding sub-contracted stored goods. It was negligent in sub-contracting the storage to Jones.

A contract came into existence between Metaalhandel and Ardfields when, by their telex of January 19 Metaalhandel accepted Ardfields' quotation of January 18.

It was a matter of indifference to Metaalhandel whether the goods were stored with Ardfields or with Jones, provided they were properly stored. If Ardfield's unilateral decision to store with Jones was a breach of contract, which was doubtful, Metaalhandel paid rent knowing that the goods were in Jones's warehouse and must be taken to have waived the breach.

Ardfields was never in possession of the goods. It was Jones who collected them on January 26 and thereafter stored them. Therefore Ardfields was never bailee.

Palmer on Bailment dealt with "quasi-bailment," where the intermediate party was not a bailee because he never obtained actual possession of the goods. The position in the present case was that of quasi-bailee who entered into an authorised sub-contract.

At page 834, *Palmer* concluded that the position of the quasi-bailee was the same as that of a true bailee, namely that he was answerable for the faults of his sub-contractor because, although he was entitled to delegate performance, he could not delegate his responsibility.

That was the principle which the court proposed to follow in the present case.

Ardfields undertook to store Metaalhandel's goods. There was implied in that contract a duty to take reasonable care under section 13 of the Supply of Goods and Services Act 1982. In sub-contracting to Jones without taking any steps to see that Jones had secure premises and a suitable system for protecting the goods, Ardfields was in breach of that implied term.

The negligence of Jones's employee, Mr Beech, was a foreseeable result of the breach for which Ardfields was liable.

The particulars of claim as originally pleaded claimed damages of £17,387. By amendment at the trial Metaalhandel claimed damages in Dutch guilders, on the basis that that was the currency in which all their operations in Holland were measured, and that whenever they had to pay money in other currencies they purchased them by selling guilders.

The question was first, in what currency would an award of damages most truly express Metaalhandel's loss; and second, whether the parties must be taken reasonably to have had such other currency in contemplation (see *The Folias [1979] 1 All ER 421*)

The fact that a foreign plaintiff had his bank accounts in, kept his financial books in, and funded his purchases of other currencies, from the currency of his own country, could not automatically result in an award of damages in that currency. It must depend on the particular circumstances of the case.

The parties to the present contract could not be said to have contemplated that damages should be measured in guilders. The award was made in sterling, for £17,387.

For Metaalhandel: Richard Lord (Clyde & Co).
For Ardfields; Julian Malins (Alastair Thomson & Partners).

By Rachel Davies
Barrister

COMMODITIES AND AGRICULTURE

Sombre outlook for sugar market

BY CHRIS SHERWELL IN SYDNEY

WORLD SUGAR prices are not about to rise and will only increase if world production is cut, despite current statistical signs of improvement.

This was the sombre forecast given yesterday to delegates from more than 20 countries attending the third conference of world sugar farmers, held near Brisbane.

It came from Mr Patrick du Genestoux, chief economist of Ersuc, the Paris-based commodity trading house, and he offered it despite the fact that sugar prices, at 6-7 US cents per pound (for spot raw sugar, New York), are now holding well above the lowest levels of less than 3 US cents.

The projection underlines the continuing problems being faced by the world's sugar planters. Over the past six years, they have not only seen world sugar prices drop to the lowest level ever in real terms. They have also suffered intensified competition fro malternative sweetners ınd watched negotiators fail to reach an international sugar agreement.

According to Mr du Genestoux, "unrestrained optimism" stemming from a feeling that a price upsurge had started "will jeopardise or even suppress the expected boom."

"Each year the basic statistical situation is showing an improvement," he said, and there could be a move towards more satisfactory price levels. But world production had to drop "by a few million tonnes."

Yesterday's gathering also heard a strong attack on US farm policies by Mr John Kerin, the Australian Minister of Primary Industry, who opened the four-day conference.

Citing a study by the country's independent Bureau of Agricultural Economics, he said US policies in sugar alone had cost Australia US$80-310m a year, Brazil $95-285m and Thailand $50-210m.

Washington's high domestic sugar price policy had given the four largest companies subsidies of $800m in 1985, he said, and meant a price subsidy for major importers like the Soviet Union, China and Japan.

Mr Kerin said he made no *apologies for singling out the* US, even though other countries had equally damaging policies. The study of the US had highlighted the "major distortions caused by ill-conceived policy," he said.

He nevertheless welcomed the US proposal made earlier this month for the phasing out of agricultural supports, and said Australia and the Cairns group of "fair-trading" countries were now studying "how the initiative can be built upon."

Mr du Genestoux, in cautioning against optimistic interpretations of recent price trends, offered a revealing analysis of the state of the world sugar market.

He acknowledged that the world surplus of sugar, though it had only been halved from 12m tonnes in 1983 to 5-6m tonnes, was not excessive, since it represented less than three weeks of world consumption—no tmuch different from periods when prices were beginning to *pick up*.

He also accepted that, in terms of exports, the surplus of 2.5m tonnes—equivalent to five weeks' exports, and with two-thirds held by the European Community—was encouraging in as much as the surpluses *of non-EC countries* had been swept away and the EC itself could, if it wished, withhold the stocks and finance them.

But in his view the stage was not set for a rise in prices, despite the recent stability, because world production was not, as in previous instances, about to drop.

While the white sugar market remained solid, with many buyers and few sellers, the raw sugar market underlying it was sick, he said.

Of the two major buyers 10 yearsago,t he US had almost halted its intake while Japan had reduced its imports. A new buyer, the Soviet Union, was neither a regular purchaser nor a growing one.

The "practical conclusion," Mr du Genestoux said, was that all available means should be used to halt the continual growth in production capacity—in fact, to reduce production by 6-8m tonnes.

This was not much compared *to world production of 100m* tonnes, but it represented more than one third of free market turnover.

A further requirement, he indicated, was a reduction in protection. Sugar producers now had a choice between maintaining the status quo—meaning lower sales, a halt in consumption growth and the disappearance of the world sugar market—and lower domestic sugar prices, which would lead to increased sales and higher average world prices in the longer term.

Nymex plans August propane launch

By Lucy Kellaway

THE NEW YORK Mercantile Exchange plans to start trading *propane futures* on August 21. The contract, which will replace a similar one being traded on the New York Cotton Exchange, is still waiting for the approval of the US Commodities Futures Trading Commission.

The first delivery month will be December, and the contract will trade for the next consecutive 15 months. Each contract will be based on 1,000 barrels of propane and the minimum price fluctuation will be $4.20 and the maximum $840.

The propane contract will join Nymex's existing energy futures based on heating oil, unleaded gasoline and crude oil.

LONDON METAL EXCHANGE WAREHOUSE STOCKS
(Changes during week ended last Friday)

	(tonnes)
Aluminium	
standard	−3,925 to 80,100
high grade	+5,650 to 6,750
Copper	−5,100 to 97,575
Lead	+1,350 to 22,725
Nickel	−516 to 8,328
Zinc	−650 to 28,750
	(ounces)
Silver	unchanged at 22,552,000

Aredor diamonds

THE AREDOR diamond mine in Guinea, reputed to be the richest in the world, has high quality gemstones accounting for 93 per cent of its production, not 83 per cent as reported in our recent article. The project involved an investment of $121m, not $21m.

Brazil reopens coffee exports

BY RIK TURNER IN SAO PAULO

THE BRAZILIAN Coffee Institute (IBC) opened export registrations for the months of August and September yesterday. Registrations for July, as the trade had expected, were not opened because 2m bags registered for June were pushed over into this month.

The contribution quota, or export tax, levied by the IBC has been increased from 27 per cent to 36 per cent. For export pricing the calculation will still be based on the average of the previous five days' prices in New York and London but the price will be multiplied by 0.98 for August and 1.00 for September, compared with the 1.05 applied for June.

As traders had expected, the IBC introduced measures to inhibit registration of huge amounts of coffee which are not subsequently exported, as happened for June. From now on, an exporter registering a volume for export and not carrying out the deal will lose the 50 per cent of the export tax he pays three days after registration, as well as having the registration cancelled.

An IBC spokesman said that exporters would be able to argue force majeure in such cases as flooding or a dock strike, but they would have to comply with stringent rules to prove it.

An innovation this month was the introduction of a price incentive for washed coffee exported via the ports of Ilheus and Salvador, both in the northeastern state of Bahia. The IBC is keen to compete in this segment of the market, traditionally dominated by Central America and Colombia, because the coffee has a higher added value due to the washing process.

The institute is allowing ex*ports of up to 20,000 bags* a month of washed coffee at a premium of $5 per 60-kg bag.

The IBC did not heed the exporters' call for October registrations to be opened at the same time.

UK asks High Court to strike out tin claim

BY RAYMOND HUGHES, LAW COURTS CORRESPONDENT

THE UK Government yesterday asked the High Court to strike out a claim that it was liable to pay a £6m debt owed by the insolvent International Tin Council.

Acting through the Department of Trade and Industry, the UK asserted that there was no legal basis for the claim by Maclaine Watson, a London Metal Exchange trader, that the UK—one of 23 member states of the ITC—was legally responsible for the Council's debts.

Maclaine Watson has a £6m judgment against the ITC. Earlier this year it failed to persuade the court to appoint a receiver of what Maclaine contended was the ITC's right to call on its members to contribute to, or indemnify it against, its debts.

In a second attempt to get its debt paid, the company has sued the UK directly.

Mr Anthony Grabiner, QC, for the UK, asked Mr Justice Millett yesterday to follow last month's ruling by Mr Justice Staughton that the member states could not be held liable for the ITC's debts.

That ruling, which is to be appealed, was made in the action in which J. H. Rayner (Mincing Lane) had sued all 23 member states and the European Community.

Mr Justice Staughton held that the ITC was a separate legal entity which had contracted to buy or sell tin on its own behalf and not as agent for its members.

Yesterday Mr Mark Littman, QC, for Maclaine Watson, said that its argument was that the ITC was not a separate legal entity but simply the name under which the member states traded.

Cominco plants remain closed

By Robert Gibbens in Montreal

COMINCO, the Canadian mining and metals group, said its Trail and Kimberley Zinc-lead mines and smelters in British Colombia remain shut down indefinitely because a dispute with two locals of the United Steelworkers Union has not been solved.

Cominco, now controlled by an international group led by Teck Corporation, accounts for about 10 per cent of the free world's mine output of zinc and lead.

Cominco said a new 38-month contract ha dbeen ratified by three United steel Workers branches representing production and maintenance workers at Trail and Kimberley, and dated from May.

But no agreement had been reached with two other branches representing office and technical workers and no negotiations are under way.

The mines and metallurgical plants were shut down May 9 by the contract disputes.

Avoiding the Michaelmas slaughter

GRASS is the basic feed for cattle and sheep in the British Isles. But it will only grow for about six months of the year and that means that other arrangements have to be made for winter feeding.

Until quite recently the difficulties of achieving this were such that many sheep and cattle were slaughtered in the autumn—Michaelmas (September 29) was the favourite date—and salted for the winter.

The only winter feed available was hay—surplus summer grass dried naturally and stored under cover. A couple of centuries ago, however, the growing of root crops like turnips specifically for winter feed was introduced from the Continent. Cattle and sheep were fattened on these and the Michaelmas slaughter became unnecessary.

In many areas land was not suited to arable cropping, however, and farmers continued to rely on making hay. When I left school I worked on such a farm and the boss impressed on me the importance of good haymaking.

He waited until the grass was mature—when flowering was over and seed was setting. Then the grass was cut, tended by machine or tossed about with pitch forks by hand and eventually loaded onto wagons and hauled away to the barns.

*Great care was taken to en*sure that it was properly dry—"rattling" was the term used—and the penetrating sweet smell associated with new-mown hay was always present.

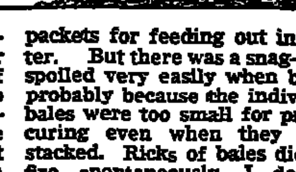
This aroma, it has been found, had nothing to do with feed value but was simply the scent of sweet vernal, which the old permanent pastures harboured along with many other weeds

I later made hav in other parts of the world, mainly Argentina, where drying the crop was no problem in the hot sun and where hay was usually a drought reserve.

When I started on my own farm I was plunged into haymaking from the first summer and I have never enjoyed it. By this time, the mid-1930s, mechanisation had taken over from manual labour in the hay field. No-one pitched hay into wagons anymore.

Hay was made in the field and then swept to a stack, onto which it was raised with an

FARMER'S VIEWPOINT
By John Cherrington



elevator. A most ingenious Wiltshire farmer—Mr A. J. Hosier—came up with the idea of combining a light wooden sweep with one of the old high-powered cars which could be picked up for a few pounds at that time. This operation depended on plenty of sunshine to dry the hay, something which never seemed to coincide with my haymaking times.

Thin crops would dry out quite quickly but thick ones were another matter. There was usually a lower layer of *grass in the swath which would* obstinately refuse to dry, however much it was tossed around by machine.

It then became a matter of fine judgment as to how much green material to allow into the rick. This judgment depended very much on the weather forecast. If it looked set fair it was left a day or two longer, but if the prospects were doubtful chances were taken and it was put in the rick.

Sometimes the gamble came off. These stacks heated quite a bit and this cured the hay quite well, but if it was too green the temperature rose until in extreme cases the stacks caught fire. I never had a rick burn but some got very close to it, in many cases the hay was quite spoilt. On the other hand if it did not heat it often went mouldy.

The next development was the importation from the US of the pick-up baler. The advantage of this was that the hay was stored in handy-sized packets for feeding out in winter. But there was a snag—hay spoiled very easily when baled, probably because the individual bales were too small for proper curing even when they were stacked. Ricks of bales did not fire spontaneously. I do not think I made more than about 20 per cent good hay by the system.

The alternative to haymaking was to store the grass without drying it as ensilage. It was gathered into heaps or pits from which air could be excluded and it was preserved by a sort of cold fermentation process. This was widely practised on the Continent but did not catch on in Britain until after the Second World War. The reason for this was that the material is very heavy and it was some time before the system was mechanised.

We were slow to learn how to make the best of it. Too often ensilage was made as a desperate alternative to a hay crop which had been already ruined by rain. In fact both the state of maturity of the crop and its dry matter content are critical factors and I think it is almost as difficult to make good silage as it is to make good hay. I have certainly made some very poor and foul-smelling feed at times.

With cows it is commonly self-fed from the clamp or heap but it is not too easy to feed out in small quantities to sheep. One reason is that exposure to the air will spoil the feed value quite quickly.

This year, though, I have taken the plunge into modernity in quite a big way. The grass was cut and baled straight away by a baler which turns out round bales weighing nearly half a tonne each. These are sealed in black plastic bags immediately, so that no air can get at them.

In theory each bale acts as a miniature silage clamp, which should keep the contents in good condition—provided that no bag has burst, been burrowed into by rats, or sabotaged by children. These bales are far too heavy to be handled manually of course, but I have enough equipment to handle them so that small lots can be taken out to the different sheep flocks.

We made this silage in perfect weather during the past fortnight and finished up making about 2,000 bales of *perfect hay for feeding to stock* inside at lambing. I must say that this bale silage was one of the easiest farming jobs I have ever done — so easy in fact that there must be a snag.

According to the meteorologists the small number of farmers who had not completed hay- or silage-making when the rains came towards the end of last week will not have long to wait before favourable conditions return. I am glad, nevertheless, to number myself among those who have their winter feed safely gathered in.

LONDON MARKETS

LAST WEEK'S failure by producing and consuming members of the International Cocoa Agreement to agree on adjustments in the agreement's price support range following the recent slide in *the world market had little* apparent impact on the London cocoa futures market yesterday. With sterling's weakness cushioning the fall the September futures position closed £4 down on the day at £1,368.50 a tonne, but the July position gained £5 to £1,394.50 a tonne, widening the prompt premium to £26. Dealers attributed the July fall to "wariness" over West African crop prospects. Talk of drought-reduced production in the region has been lending support to prices over the past month, but some dealers are now saying that the crops may still be good. The failure of last week's price support talks evidently came as little surprise to the market. Progress was made difficult by a split between producers and consumers on intepretation of the agreement. Unless a special session is called the subject will not come up for discussion by the full council again until the next scheduled meeting on September 2 to 11. The decision on when the buffer stock can intervene again, having used up its first 75,000 tonnes buying allocation, now rests with Mr Kobena Erbynn, the International Cocoa Organisation's executive director.

LME prices supplied by Amalgamated Metal Trading.

ALUMINIUM

99.7% purity	Unofficial (close p.m.) $ per tonne	+ or —	High/Low
Cash	—	—	—
3 months	1610-5	−2.5	—

Official closing (am): Cash —— (——), three months 1,620-5 (1,610-15), settlement —— (——). Final Kerb close: ——. Ring Turnover: 750 tonnes.

99.5% purity	£ per tonne		
Cash	1035-6	−1	1045/1044
3 months	962-3	+3.5	966/961

Official closing (am): Cash 1,044-5 (1,031-33), three months 962-3 (955-6), settlement 1,045 (1,033). Final Kerb close: 963-4. Ring Turnover: 37,800 tonnes.

COPPER

Grade A	Unofficial close £ per tonne	+ or —	High/Low
Cash	1024-5	+8	1024/1022
3 months	1012-3	+10	1016/1006

Official closing (am): Cash 1,022.5-3 (1,029.5-30), three months 1,012-3 (1,017.5-18.5), settlement 1,023 (1,030). Final Kerb close: 1,014-5.

Standard			
Cash	1022-5	+9	—
3 months	1005-9	+6	—

Official closing (am): Cash 1,023-5 (1,027-31), three months 1,005-9 (1,010-13), settlement 1,025 (1,031). US Producer prices: 77.5-82 cents a pound. Total Ring Turnover: 43,750 tonnes.

LEAD

	Unofficial close £ per tonne	+ or —	High/Low
Cash	410-1	+3	407
3 months	389-90	+3.75	392/386

Official closing (am): Cash 407-8 (406.5-7.5), three months 385-6.5 (384-5), settlement 408 (407.5). Final Kerb close: 386-6.5. Ring Turnover: 11,850 tonnes. US Spot: 38-42 cents a pound.

NICKEL

	Unofficial close (p.m.) £per tonne	+ or —	High/Low
Cash	3085-90	+75	—
3 months	3113-5	+81	3150/3108

Official closing (am): Cash 3,080-5 (3,110-15), three months 3,105-7 (3,110-11), settlement 3,085 (3,115). Final Kerb close: 3,120-25. Ring Turnover: 3,468 tonnes.

ZINC

High grade	Unofficial close (p.m.) £ per tonne	+ or —	High/Low
Cash	495-6	−2.5	—
3 months	486.5-7	2.75	493/487

Official closing (am): Cash 497-8 (482-3), three months 488.5-9 (475-6), settlement 498 (483). Final Kerb close: 487-8. Ring Turnover: 9,750 tonnes. US Prime Western: 47.5-48.5 cents a pound.

TIN

KUALA LUMPUR TIN MARKET—Close: 16.08 (16.10) ringgit per kg. Down 0.02.

GOLD

GOLD BULLION (fine ounce)		July 20
Close	$451-451½	(£281-281½)
Opening	$449-449½	(£279-279½)
M'n'g fix	$449.65	(£280.069)
Aft'n'n fix	$450.90	(£281.265)
Day's high	$451¼-452¼	—
Day's low	$449-449½	—

GOLD AND PLATINUM COINS

Am Eagle	$461-466	(£287¼-290½)
Mapleleaf	$464-467	(£289¼-291)
Kr'g'r'nd	$451-454	(£281¼-282¾)
½ Krug	$235½-235½	(£146¾-147½)
¼ Krug	$118-119	(£73½-74¼)
Angel	$461½-464½	(£287¾-289½)
1/10 Angel	$44½-49½	(£27¾-30¾)
New Sov.	$105¼-105¼	(£65½-65¼)
Old Sov.	$105¼-106¾	(£65½-66½)
Noble Plat.	$583-593	(£363¾-369½)

COTTON

LIVERPOOL—Spot and shipment sales for the week ended July 17 amounted to 172 tonnes, against 719 tonnes in the previous week. Dealings were sparse and only few operations occurred in Middle Eastern and African growths.

MEAT

MEAT COMMISSION—Average fatstock prices at representative markets: GB—Cattle 97.29p per kg lw (−0.21). GB—Sheep 179.12p per kg est dcw (−11.47). GB—Pigs 73.88p per kg lw (+1.35).

INDICES

REUTERS

July 16	July 15	M'th ago	Year ago
1630.3	1637.1	1602.2	1481.4

(Base: September 18 1931=100)

DOW JONES

Dow Jones	July 17	July 16	M'th ago	Year ago
Spot	127.63	128.22	—	126.41
Fut	126.43	126.61	—	116.07

(Base: December 31 1931=100)

MAIN PRICE CHANGES

	July 20 1987	+ or —	Month ago
METALS			
Aluminium			
Free Market	$1576/585	−5	$1616/650
Copper			
Cash Grade A	£1024.5	+8.5	£976
3 months	£1012.5	+10	£957.75
Gold troy oz	$451.25	+0.75	$452.75
Lead Cash	£410.5	+3	£372.5
3 months	£389.5	+3.75	£364.5
Nickel			
Free Mkt	225/245c	−5	207/227c
Palladium oz	$139.75	[illegible]	$138.50
Platinum oz	$568.85	−5.15	$563.25
Quicksilver†	$235/245		$258/280
Silver troy oz	469.15p	−6.10	457.05p
3 months	479.80p	−5.85	477.30p
Tin			
free Mkt	£3990/020	+20	£4120/150
Tungsten	$56.21		$58.16
Wolfram 22.0lb	$48/55		$48/55
Zinc	£495.5	−3.5	£457
3 months	£486.75	−2.75	£452
producers	$860		$842
OILS			
Coconut (Phil)	$440x		$475
Palm Malayan	$292.5t		‡
Seeds			
Copra (Phil)	$290x	−15	$290.5
Soyabean (U.S.)	$148z	−1	$154.5
GRAINS			
Barley Fut. Nov.	£99.80	+0.20	£97.00
Maize	£153.00		£153.00
Wheat Fut. Sept	£101.65	−0.05	£99.60
No. 2 Hard Wint.	‡		‡
OTHERS			
Cocoa Ft. Sept	£1368.5	−4	£1264.5
Coffee Ft. Sept	£1245.5	+4	£1288.5
Cotton A Ind.*	84.45c	+0.15	82.25c
Gas Oil Aug.	$173.25	+1.50	$158.25
Rubber (kilo)	69.5p	+0.75	62.5p
Sugar (raw)	$162x	+0.6	$174
Wooltops 64s	479p kilo	+1	467p kilo

‡ Unquoted. † Per 75-lb flask. c Cents a pound. * Cotton outlook. z July-Aug. x Aug-Sept. y Aug. w Oct-Nov. T-Sept.

SILVER

Silver was fixed 6.1p an ounce lower for spot delivery in the London bullion market yesterday at 469.15p. US cent equivalents of the fixing levels were: Spot 752.55c, down 18.45c; three-month 766.25c, down 18.75c; six-month 778.5c, down 19c; and 12-month 807.85c, down 18.35c. *The metal opened at 467½-469p* (752-754c) and closed at 471-472½p (756-758c).

SILVER per troy oz	Bullion Fixing price	+ or —	L.M.E. p.m. Unoffic'l	+ or —
Spot	469.15p	−6.10	[illegible]	−7
3 months	479.80p	−5.85	769c	−5
6 months	490.60p	−5.65	—	—
12 months	512.90p	−6.20	—	—

LME—Turnover: Nil (4) lots of 10,000 ounces.

Three months final kerb 768-70p.

COFFEE

Robustas failed to make the levels due of £20-25 higher after a steady New York close on Friday, reports Drexel Burnham Lambert. The market traded in quiet and thin conditions, easing off from opening levels with lack of follow-through buying. Renewed steadiness in New York boosted London but was absorbed by overhead trade selling, which offered the market down to close at the day's low.

COFFEE	Yesterday close	+ or —	Business done
July	1218-1220	+10.0	1222-1215
Sept	1245-1248	+4.0	1255-1242
Nov	1268-1270	+0.5	1277-1267
Jan	1290-1292	+3.5	1300-1288
Mar	1308-1312	+5.0	1320-1311
May	1330-1338	+0.5	1338-1332
July	1350-1378	+2.5	—

Sales: 2,240 (2,844) lots of 5 tonnes. ICO indicator prices (US cents per pound) for July 17: Comp. daily 1979 97.60 (96.72); 15-day average 96.59 (96.55).

COCOA

Futures opened £10 steadier but in thin volume of trade eased to close quietly, almost unchanged on the day. Physicals were neglected by producers and consumers with only light second-hand business noted, reports Gill and Duffus.

	Yesterday's close £ per tonne	+ or —	Business done
July	1393-1395	+5.0	1398-1394
Sept	1368-1369	−4.0	1382-1364
Dec	1402-1403	−1.0	1412-1398
March	1426-1427	+4.0	1429-1428
May	1445-1448	+5.0	1447-1458
July	1460-1463	+6.0	—
Sept	1474-1475	+5.0	1475-1468

Sales: 2,681 (6,755) lots of 10 tonnes. ICCO indicator prices (SDRs per tonne). Daily price for July 20: 1,716.36 (1,712.25); 10-day average for July 21: 1,693.02 (1,686.58).

FREIGHT FUTURES

Higher rates on the Gulf/Japan and Gulf/Continental routes on Friday led to a sharply higher futures market with levels being bid up rapidly but in low volume. However, the rally ran out of steam and the market settled back to trade steadily for the rest of the session, reports Clarkson Wolff.

	Close	High/Low	Prev.
Dry Cargo			
July	965/966	970/960	950/962
Oct.	1085/1089	1110/1086	1076
Jan.	1086/1090	1110/1085	1075
Apr.	1087/1088	1095/1085	1072/1075
July	950/955	956/955	930
Oct.	910	—	900
Jan.	1010	—	1000
April	1100	—	1100-1125
BFI.	948	—	930.0

Turnover: 409 (741).

GRAINS

Mnth	WHEAT Yest'rdy's close	+ or —	BARLEY Yest'rdy's close	+ or —
Sep.	99.10	−0.05	95.80	—
Nov.	101.65	−0.05	99.80	+0.29
Jan.	104.45	−0.10	102.45	+0.25
Mar.	107.15	−0.10	104.85	+0.19
May	109.60	−0.10	106.50	+0.40
July	111.75	−0.35	—	—

Business done—Wheat: Sept 99.20, Nov 101.80-1.70, Jan 104.45, Mar 107.45-7.30, May 109.85-9.75, July untraded. Sales: 78 lots of 100 tonnes. Barley: Sept untraded, Nov 99.75, Jan, Mar and May untraded. Sales: 2 lots of 100 tonnes.

LONDON GRAINS—Wheat: US Dark Northern Spring No 2, 14 per cent: Aug 91.00, Sept 91.25, Oct 93.25. US No 2 Soft Red Winter: Aug 86.25, Sept 87.50, Oct 90.25. French 11½-12 per cent: Aug 119.00. English feed, fob: Sept 101.00-101.25, Oct/Dec 104.00-104.50, Jan/March 109.00-109.25 buyer/sellers. Maize: US No 3 Yellow/French, transhipment East Coast: July 163.00. Barley: English feed: Aug 97.75-98.50, Sept 99.00-100.00, Oct/Dec 104.00-104.25 buyer/sellers, Jan/March 107.00 buyer.

US MARKETS

CRUDE OIL eased marginally following early trade buying as commission houses emerged as good sellers and as traders liquidated August positions, reports Drexel Burnham Lambert. Trade buying steadied precious metals in an otherwise quiet session. Copper firmed on light fund buying. Cocoa eased despite scale-down trade buying. Sugar consolidated with trade buying. Coffee eased on mixed selling. Cotton fell on a combination of trade selling and commission house profit-taking. In the grains and soyabeans complex hot, dry weather over the weekend and short-term forecasts for more prompted professional short-covering to rally the futures markets. In the meats the hot, dry weather was also an influence in pushing hogs and pork bellies sharply higher as a result of curtailed hog runs and higher cash prices. Cattle underwent a technical recovery.

NEW YORK

ALUMINIUM 40,000 lb, cents/lb

	Close	Prev	High	Low
July	73.25	73.90	73.50	73.50
August	73.00	73.00	—	—
Sept	72.25	72.50	72.50	72.50
Dec	71.60	71.75	—	—
Jan	70.00	69.65	—	—
March	69.00	68.65	—	—
May	68.00	67.65	—	—
July	67.00	66.65	—	—

COCOA 10 tonnes, $/tonnes

	Close	Prev	High	Low
Sept	2092	2105	2102	2083
Dec	2108	2116	2113	2099
March	2125	2140	2135	2123
May	2149	2163	2152	2148
Sept	2193	2210	2195	2188
Dec	2218	2235	—	—

COFFEE "C" 37,500 lb, cents/lb

	Close	Prev	High	Low
July	104.00	105.00	106.50	104.00
Sept	105.09	106.15	106.75	104.75
Dec	108.11	109.52	109.99	108.00
March	111.25	112.25	112.00	111.25
May	113.25	114.15	113.60	113.25
July	114.75	116.75	115.25	114.75
Sept	116.00	117.00	116.00	116.00
Dec	119.00	120.00	—	—

COPPER 25,000 lb, cents/lb

	Close	Prev	High	Low
July	74.00	73.45	74.05	73.40
August	73.30	72.55	—	—
Sept	72.35	71.95	72.40	71.75
Dec	71.55	71.25	71.60	70.85
Jan	71.35	71.00	71.15	71.15
March	70.85	70.55	70.85	70.35
May	70.70	70.50	70.70	70.70
July	70.75	70.60	70.70	70.40
Sept	70.80	70.75	70.70	70.70
Dec	70.85	70.80	70.65	70.65

COTTON 50,000 lb, cents/lb

	Close	Prev	High	Low
Oct	75.48	76.12	76.85	75.40
Dec	74.25	75.12	75.75	74.05
March	75.10	75.70	76.25	75.00
May	75.20	76.30	76.74	75.80
July	75.25	75.45	76.50	75.25
Oct	68.75	68.75	—	—
Dec	66.82	68.00	67.50	67.25

CRUDE OIL (LIGHT) 42,000 US gallons, $/barrels

	Latest	Prev	High	Low
August	22.18	22.39	22.34	22.00
Sept	21.81	21.90	21.86	21.69
Oct	21.53	21.43	21.53	21.31
Nov	21.39	21.28	21.40	21.22
Dec	21.33	21.21	21.34	21.17
Jan	21.24	21.15	21.27	21.13
Feb	21.19	21.11	21.20	21.17
March	21.15	21.07	21.15	21.15
April	21.13	21.04	21.15	21.05
May	21.13	21.13	21.13	21.13

GOLD 100 troy oz, $/troy oz

	Close	Prev	High	Low
July	461.3	448.1	—	—
August	462.3	449.3	463.2	460.5
Sept	454.8	451.8	454.8	453.8
Oct	457.6	454.6	458.5	455.9
Dec	462.9	459.9	463.9	461.5
Feb	468.3	465.3	469.2	467.2
April	473.7	470.7	473.0	473.0
August	485.2	482.2	487.0	484.0
Sept	479.3	—	479.5	478.4
Oct	491.3	488.3	494.0	490.5
Dec	497.4	494.4	498.3	496.5
Feb	503.7	500.7	504.0	504.0

HEATING OIL 42,000 US gallons, cents/US gallons

	Latest	Prev	High	Low
August	56.70	56.67	56.85	56.20
Sept	57.40	57.36	57.60	56.70
Oct	58.10	57.98	58.25	57.50
Nov	58.85	58.73	59.00	58.30
Dec	59.50	59.48	59.80	59.15
Jan	60.00	60.03	60.25	59.85
Feb	60.25	60.28	60.25	60.25
March	58.50	58.53	—	—
April	57.00	57.43	57.00	57.00
May	56.50	56.43	56.50	56.50

ORANGE JUICE 15,000 lb, cents/lb

	Close	Prev	High	Low
July	129.30	131.65	131.00	129.75
Sept	126.70	127.45	127.70	126.70
Nov	125.00	125.65	125.80	125.00
Jan	122.90	123.60	122.95	123.85
March	123.96	124.05	—	—
May	124.20	123.90	—	—
July	124.20	123.90	—	—

PLATINUM 50 troy oz, $/troy oz

	Close	Prev	High	Low
July	569.9	570.5	571.5	570.0
Oct	573.9	574.5	575.5	573.0
Jan	580.7	581.2	582.8	580.0
April	587.4	588.0	589.0	587.5
July	594.4	595.0	—	—
Oct	601.3	601.9	—	—

SILVER 5,000 troy oz, cents/troy oz

	Close	Prev	High	Low
July	764.7	764.4	767.0	763.0
August	768.4	748.4	—	—
Sept	771.0	761.0	772.0	766.5
Dec	786.5	786.3	786.5	772.0
Jan	789.8	769.5	—	—
March	800.2	779.7	800.0	790.5
May	810.5	790.0	—	—
July	821.0	800.5	—	—
Sept	831.6	811.1	—	—

SUGAR WORLD "11" 112,000 lb, cents/lb

	Close	Prev	High	Low
Sept	6.25	6.16	6.30	6.24
Oct	6.51	6.44	6.53	6.44
Jan	6.73	6.67	6.80	6.60
March	7.06	7.05	7.08	7.00
May	7.22	7.23	7.22	7.18
July	7.36	7.40	7.38	7.38
Oct	7.57	7.56	7.57	7.52

CHICAGO

LIVE CATTLE 40,000 lb, cents/lb

	Close	Prev	High	Low
August	60.97	60.90	61.40	60.65
Oct	58.97	59.22	59.45	58.70
Dec	61.15	61.30	61.55	60.85
Feb	62.25	62.25	62.57	61.87
April	63.25	63.25	63.60	63.05
June	63.00	62.97	63.25	62.70
August	61.15	61.45	61.65	61.05

LIVE HOGS 30,000 lb, cents/lb

	Close	Prev	High	Low
July	60.30	60.45	61.90	59.95
August	54.95	53.60	55.10	54.60
Oct	46.36	45.07	46.45	45.65
Dec	46.17	45.40	46.32	45.62
Feb	44.82	44.35	45.40	44.50
April	41.97	41.75	42.05	41.50
June	43.22	43.25	43.55	43.20
July	43.52	43.70	43.67	43.50
August	42.17	42.17	42.50	—

MAIZE 5,000 bu min, cents/56-lb bushel

	Close	Prev	High	Low
July	164.0	158.4	165.0	161.2
Sept	168.8	164.2	169.6	167.2
Dec	177.6	171.6	177.6	175.0
March	187.0	181.6	187.0	184.4
May	191.6	186.6	191.6	189.0
July	193.4	188.6	193.4	192.0
Sept	192.2	188.0	192.4	192.0

PORK BELLIES 38,000 lb, cents/lb

	Close	Prev	High	Low
July	81.12	79.40	81.40	80.00
August	75.36	75.10	76.90	75.00
Feb	58.82	58.17	59.90	58.30
March	58.45	58.02	59.90	58.10
May	59.00	59.25	60.20	59.00

SOYABEANS 5,000 bu min, cents/60-lb bushel

	Close	Prev	High	Low
July	554.4	537.2	555.0	549.0
August	539.2	519.2	539.4	530.0
Sept	530.6	506.2	531.0	523.0
Nov	534.4	506.4	535.0	525.4
Jan	544.0	516.6	544.0	538.0
March	553.2	524.6	553.4	544.4
May	560.0	533.0	560.0	551.4
July	560.0	533.4	560.0	554.0
August	555.0	528.0	555.0	550.0

SOYABEAN MEAL 100 tons, $/ton

	Close	Prev	High	Low
July	175.5	169.0	176.0	172.5
August	166.4	162.5	169.0	165.5
Sept	164.6	158.4	165.5	162.0
Oct	162.3	155.8	163.0	160.5
Dec	163.3	156.2	164.0	161.5
Jan	163.8	158.6	163.8	162.0
March	166.0	159.5	166.0	164.0
May	164.5	159.5	165.5	164.5
July	164.5	159.6	164.0	165.0
August	164.5	159.6	164.0	165.0

SOYABEAN OIL 60,000 lb, cents/lb

	Close	Prev	High	Low
July	15.87	16.33	15.90	15.80
August	15.94	16.39	15.99	15.85
Sept	16.11	15.53	16.20	15.83
Oct	16.25	15.71	16.30	16.03
Dec	16.62	16.07	16.67	16.35
Jan	16.76	16.20	16.80	16.50
March	17.10	16.50	17.18	16.90
May	17.30	16.85	17.40	17.30
July	17.65	17.13	17.65	17.65
August	17.70	17.20	17.65	17.75

WHEAT 5,000 bu min, cents/60-lb bushel

	Close	Prev	High	Low
July	253.0	252.0	255.0	251.4
Sept	259.6	257.6	262.4	257.6
Dec	270.2	268.2	273.0	267.4
March	274.2	272.6	277.0	271.6
May	267.0	265.4	270.0	265.0
July	257.4	255.2	260.0	256.4

SPOT PRICES: Chicago loose lard 16.00 (same) cents per pound. Handy and Harman silver bullion 755.5 (753.5) cents per troy ounce. New York tin 297-305 (299-306) cents per pound.

POTATOES

The market opened on a nervous note with traders uncertain about the influence of the unsettled weather. Values traded £1.40 down but immediate buying interest saw losses erased by mid-morning and gains of £1.00 registered from previous close. The trend was short-lived and direction was uncertain by the morning close. Fresh selling emerged as nervous longs liquidated positions, causing stops to be triggered below £146.00, reports Coley and Harper.

Month	Yesterday's close	Previous close	Business done
	£ per tonne		
Nov	99.50	102.50	102.00-99.10
Feb.	110.00	110.50	
Apr.	143.00	147.00	146.40-142.50
May	156.00	162.30	162.00 —

Sales: 1,090 (972) lots of 40 tonnes.

OIL

	Latest	Change + or —
CRUDE OIL—FOB ($ per barrel) August		
Arab Light	—	—
Arab Heavy	—	—
Dubai	18.25-18.30	+0.075
Brent Blend	20.60-20.65	—
W.T.I. (1pm est)	22.25-22.30	−0.15
Forcados (Nigeria)	—	—
Urals (cif NWE)	—	—
PRODUCTS—North West Europe *Prompt delivery cif ($ per tonne)*		
Premium gasoline	199-202	+1
Gas Oil	170-172	+1
Heavy fuel Oil	118-119	−0.5
Naphtha	181-184	+1.5

Petroleum Argus estimates

SOYABEAN MEAL

	Yesterd'ys close £ per tonne	+ or —	Business done
August	128.7-129.4	+1.35	—
October	128.0-128.8	+2.55	126.5
Dec	128.0-129.0	+2.25	128.5-128.5
Feb	128.0-130.5	+2.75	—
April	130.5-132.0	+3.25	—
May	128.5-128.0	+0.50	—
August	128.5-128.0	+0.50	—

Sales: 23 (162) lots of 20 tonnes.

TEA

At the London tea auction there were 28,012 packages on offer including 2,000 packages offshore, reports the Tea Brokers' Association. A good demand prevailed though a quiet tone developed near the close. Bangladesh teas sold readily and often put on 3-5p. Best liquoring East Africans met good competition and generally moved several pence dearer with dusts a strong feature while mediums were irregular but little changed overall. Central Africans were well supported, particularly brighter lines, at firm to dearer rates and there were very few withdrawals. Offshore teas met strong demand and prices were often appreciably higher. Quotations: quality 172p a kg (170p); medium 116p a kg (115p); low medium 72p a kg (70p).

SUGAR

LONDON DAILY PRICE—Raw sugar $162.00 (£101.20), up 60c (up £1.40) a tonne for Aug-Sept delivery. White sugar $177.40, down 20c.

No. 6 Contract	Yest'rdy's close	Previous close	Business done
	$ per tonne		
Aug	141/4-142.4	139.2-140.6	142.0-141.2
Oct	146.2-146.4	144.9-144.2	146.6-146.2
Dec	151.4-152.4	150.8-151.8	—
Mar	157.6-158.0	156.0-156.0	158.0-157.8
May	161.0-161.8	160.4-161.4	—
Aug	165.0-165.8	164.2-165.4	—
Oct	168.0-169.4	166.6	169.4-169.6

Sales: 1,127 (2,272) lots of 50 tonnes. Tate and Lyle delivery price for granulated basis sugar was £205.00 (£203.50) a tonne for export.

International Sugar Agreement—(US cents per pound fob and stowed Caribbean ports.) Prices for July 17: Daily price 6.02 (6.00); 15-day average 6.40 (6.44).

PARIS—(FFr per tonne): Oct 1105-1107, Dec 1130-1140, March 1180-1189, May 1212-1221, Aug 1245-1261, Oct 1285-1300.

GAS OIL FUTURES

Month	Yesterd'ys close US$ per tonne	+ or —	Business done
Aug	171.50	+0.50	174.00-70.75
Sept	173.25	—	175.50-72.50
Oct	175.50	—	176.75-74.50
Nov	177.50	+0.25	177.50-76.75
Dec	176.50	−0.50	179.25-78.50

Turnover: 3,836 (4,985) lots of 100 tonnes.

Sugar market more active

Raw sugar trading was slightly more active in London last week when prices declined, London trader Woodhouse Drake and Carey said in its latest report, reports Reuter.

Trinidad bought a half cargo of high polarisation raws early in the week at an fob equivalent price of 25 points under New York's October futures position, it said.

مطابق للأصل

CURRENCIES, MONEY & CAPITAL MARKETS

FOREIGN EXCHANGES

Pound slips on bank figures

THE POUND finished towards the day's lows, partly due to a firmer dollar and also in reaction to disappointing money supply figures. The latter showed bank lending expanding at a rate of £3.9bn in June compared with £2.7bn in May. Foreign investors were wary about the inflationary implications and became less than willing to invest in UK bonds.

The rise in bank lending effectively ruled out an early fall in interest rates and unlike previous occasions, the prospects of steady to firm interest rates failed to underpin sterling.

UK retail sales rose 3.1 per cent in June compared with a 3.5 per cent fall in May which added to sterling's firm undertone but failed to attract any renewed investment.

Sterling closed at $1.6020 down from $1.6085 and DM 2.9825 against DM 2.99. It was also lower against the yen at Y244.75 from Y245.75. Elsewhere it slipped to SFr 2.4850 from SFr 2.49 and FFr 9.9250 compared with FFr 9.9475. On Bank of England figures, the pound's exchange rate index fell to 73.0 from an opening level of 73.1 and Friday's close of 73.2.

The dollar finished towards the best levels of the day but there was a growing concern that support derived from chart levels was running out. The US unit was closer to achieving Y155 and DM 1.87 and this combined with fears about central bank interventions to limit the dollar's advance.

Early trading saw the dollar move firmer as speculators reacted to higher oil prices and further tension in the Middle East. However some analysts stressed that the effects of higher oil prices were likely to be short lived and tat the competitive position of US exports was not helped by a higher dollar. This week sees statements by Mr Paul Volcker, the retiring chairman of the Federal Reserve Board and his successor Mr Alan Greenspan. In addition Friday sees the release of US second quarter GNP figures.

The dollar closed at DM 1.8620 up from DM 1.8585 and Y152.80 compared with Y152.75. Elsewhere it rose to SFr 1.5505 from SFr 1.5475 and FFr 6.1950 compared with FFr 6.1850. On Bank of England figures, the dollar's exchange rate index rose to 103.9 from 103.7.

D-MARK — Trading range against the dollar in 1987 is 11.9395 to 1.7690. June average 1.8186. Exchange rate index 146.4 against 148.3 six months ago.

There was no intervention at yesterday's fixing in Frankfurt when the dollar was fixed at DM 1.8617 from DM 1.8466 on Friday.

Investor interest pushed the dollar firmer despite a growing caution in the market that the US unit was reaching its peak. Concern about tension in the Middle East played some part in affecting sentiment but more importantly there was a general lack of participation, exacerbated by the onset of Summer holidays.

The dollar closed at DM 1.8615 from DM 1.8550 on Friday although this was below the day's high.

JAPANESE YEN—Trading range against the dollar in 1987 is 159.45 to 138.35. June average 144.52. Exchange rate index 210.7 against 209.1 six month ago.

Profit taking eroded part of the dollar's recent gains in Tokyo but it still finished firmer overall. Against the yen it closed at Y152.65, down from Y152.95 in New York but up from Y151.50 in Tokyo on Friday.

Growing tension over the Middle East and rising oil prices led a strong move into dollars and traders were expecting an early attempt on the Y154 level. A depressed domestic equity market and proximity of the US Treasury refunding programme added to the dollar's attraction.

EMS EUROPEAN CURRENCY UNIT RATES

	Ecu central rates	Currency amounts against Ecu July 20	% change from central rate	% change adjusted for divergence	Divergence limit %
Belgian Franc	42.4582	43.0712	+1.44	+0.79	±1.5344
Danish Krone	7.85212	7.88040	+0.36	−0.29	±1.6404
German D-Mark	2.05853	2.07741	+0.92	+0.27	±1.0981
French Franc	6.90403	6.91464	+0.15	−0.50	±1.3674
Dutch Guilder	2.31943	2.33819	+0.81	+0.16	±1.5012
Irish Punt	0.768411	0.775326	+0.90	+0.25	±1.6684
Italian Lira	1483.58	1502.64	+1.28	+1.28	±4.0752

Changes are for Ecu, therefore positive change denotes a weak currency. Adjustment calculated by Financial Times.

£ IN NEW YORK

July 20	Latest	Previous Close
£ Spot	1.6045-1.6055	1.6035-1.6045
1 month	0.32-0.31 pm	0.34-0.32 pm
3 months	0.85-0.82 pm	0.90-0.87 pm
12 months	2.67-2.57 pm	2.70-2.60 pm

Forward premiums and discounts apply to the U.S. dollar.

POUND SPOT—FORWARD AGAINST THE POUND

July 20	Day's spread	Close	One month	% p.a.	Three months	% p.a.
US	1.6010-1.6100	1.6015-1.6025	0.36-0.33c pm	2.58	0.94-0.89 pm	2.28
Canada	2.1120-2.1205	2.1120-2.1130	0.19-0.09c pm	0.80	0.38-0.26 pm	0.61
Netherlands	3.35-3.36½	3.35-3.36	1¼-1c pm	4.02	3¼-3 pm	3.73
Belgium	61.75-62.00	61.75-61.85	19-12c pm	3.01	40-34 pm	2.39
Denmark	11.30½-11.34¼	11.30½-11.31½	¼-⅞ ore dis	−0.60	2½-3¼ dis	−1.02
Ireland	1.1120-1.1170	1.1125-1.1135	0.04-0.05p dis	−0.04	0.08pm-0.15 dis	−0.13
W. Germany	2.97¾-2.99	2.97¾-2.98¾	1½-1¼pf pm	5.53	3⅞-3⅝ pm	5.03
Portugal	232.00-233.45	232.05-232.95	95-145c dis	−6.19	318-401 dis	−6.18
Spain	204.20-205.40	204.25-204.55	117-198c dis	−9.25	342-440 dis	−7.65
Italy	2154½-2164¼	2154½-2155½	1-6 lire dis	−1.95	5-11 dis	−1.48
Norway	10.86½-10.90½	10.86½-10.87½	4¼-5 ore dis	−5.11	13-13¾ dis	−4.92
France	9.92-9.95½	9.92-9.93	1⅝-1¼c pm	1.66	3¼-2⅞ pm	1.13
Sweden	10.36-10.40¼	10.36-10.37	¾-⅛ ore pm	0.65	¼-¼ dis	0.19
Japan	244¼-245¾	244¼-245¼	1¼-1 y pm	5.52	3¼-2⅞ pm	4.90
Austria	20.95-21.00	20.95-20.98	9½-8⅝ gro pm	5.19	26½-23⅝ pm	4.75
Switzerland	2.48-2.49	2.48-2.49	1½-1⅛ c pm	6.04	3⅞-3⅝ pm	5.23

Belgian rate is for convertible francs. Financial franc 61.95-62.05. Six-month forward dollar 1.70-1.65 c pm. 12-month 2.95-2.85c pm.

Correction for July 15 US Spread 1.6110-1.6355

STERLING INDEX

		July 20	Previous
8.30	am	73.1	73.4
9.00	am	73.1	73.4
10.00	am	73.1	73.3
11.00	am	73.1	73.4
Noon		73.0	73.4
1.00	pm	73.0	73.4
2.00	pm	73.0	73.4
3.00	pm	73.0	73.2
4.00	pm	73.0	73.2

CURRENCY RATES

July 20	Bank rate %	Special Drawing Rights*	European Currency Unit
Sterling	—	0.78621	0.696442
U.S. Dollar	5.5	1.2613	1.11779
Canadian $	7.90	-	1.47514
Austrian Sch.	4	16.5029	14.6050
Belgian Franc	7½	48.6928	43.0712
Danish Krone	7	8.90416	7.88040
Deutsche Mark	3.0	2.3482	2.07741
Neth. Guilder	4½	2.63955	2.33819
French Franc	9½	7.8107	6.91464
Italian Lira	11.5	N/A	1502.64
Japanese Yen	2½	193.04	170.742
Norway Krone	8	N/A	7.58140
Spanish Peseta	—	-	142.294
Swedish Krona	7½	-	7.22929
Swiss Franc	3.5	-	1.73089
Greek Drach.	20½	177.667	157.407
Irish Punt	—	N/A	0.775326

*C$/SDR rate for July 17: 1.67188

DOLLAR SPOT—FORWARD AGAINST THE DOLLAR

July 20	Day's spread	Close	One month	% p.a.	Three months	% p.a.
UK†	1.6010-1.6100	1.6015-1.6025	0.36-0.33c pm	2.58	0.94-0.89 pm	2.28
Ireland†	1.4375-1.4430	1.4390-1.4400	0.32-0.27c pm	2.46	0.97-0.84 pm	2.51
Canada	1.3165-1.3200	1.3180-1.3190	0.18-0.21c dis	−1.78	0.54-0.57 dis	−1.68
Netherlands	2.0850-2.0975	2.0945-2.0955	0.28-0.25c pm	1.52	0.82-0.77 pm	1.52
Belgium	38.45-38.65	38.55-38.65	3pm par	0.47	3-1 pm	0.21
Denmark	7.04¼-7.06¼	7.05¾-7.06¼	1.20-1.90ore dis	−2.63	5.30-5.80 dis	−3.09
W. Germany	1.8555-1.8635	1.8615-1.8625	0.46-0.43pf pm	2.87	1.32-1.29pm	2.80
Portugal	145-145½	145-145¼	90-120c dis	−8.67	280-330 dis	−8.40
Spain	127.15-127.70	127.40-127.50	110-150c dis	−12.23	300-370 dis	−10.51
Italy	1342-1348	1344¾-1345¾	4.00-6.00lire dis	−4.45	11.00-14.00dis	−3.71
Norway	6.77¾-6.79¾	6.78¼-6.78¾	3.80-4.30ore dis	−7.16	11.80-12.30dis	−7.10
France	6.17½-6.20½	6.19¼-6.19¾	0.45-0.55c dis	−0.97	1.45-1.85 dis	−1.06
Sweden	6.45¾-6.48¼	6.46¾-6.47¼	0.85-1.15ore dis	−1.85	3.10-3.50 dis	−2.04
Japan	152.40-153.50	152.75-152.85	0.42-0.39y pm	3.18	1.08-1.03 pm	2.76
Austria	13.05-13.09¼	13.07½-13.08	3.20-2.80gro pm	2.75	8.75-7.75pm	2.52
Switzerland	1.5450-1.5630	1.5500-1.5510	0.46-0.41c pm	3.37	1.18-1.13 pm	2.98

† UK and Ireland are quoted in US currency. Forward premiums and discounts apply to the US dollar and not to the individual currency. Belgian rate is for convertible francs. Financial franc 38.65-38.75

CURRENCY MOVEMENTS

July 20	Bank of England Index	Morgan Guaranty Changes %
Sterling	73.0	−20.7
U.S. Dollar	103.9	−3.5
Canadian Dollar	79.3	−9.4
Austrian Schilling	137.3	+10.1
Belgian Franc	99.7	−4.7
Danish Krone	91.8	+2.3
Deutsche Mark	146.4	+21.2
Swiss Franc	171.4	+21.9
Guilder	134.5	+14.2
French Franc	71.5	−12.9
Lira	47.1	−18.4
Yen	210.7	+56.8

Morgan Guaranty changes: average 1980-1982=100. Bank of England Index (Base average 1975=100).

EURO-CURRENCY INTEREST RATES

July 20	Short term	7 Days notice	One Month	Three Months	Six Months	One Year
Sterling	8⅞-9	8⅞-9⅛	9-9⅛	9⅛-9¼	9⅜-9½	9⅜-9½
U.S. Dollar	6⅜-6½	6½-6⅝	6⅝-6¾	6¾-6⅞	6⅞-7⅛	7⅛-7¼
Can. Dollar	8¼-8½	8¼-8½	8⅝-8¾	8⅝-8¾	8½-8¾	8⅞-9⅛
D. Guilder	5-5¼	5-5¼	5⅛-5¼	5⅜-5½	5⅜-5⅝	5¼-5½
Sw. Franc	1¼-1½	1¼-1⅜	3⅝-3¾	3⅞-4	3⅞-4⅛	4-4⅛
Deutschmark	3⅞-4	3⅞-4	3⅞-4	3⅞-4	4-4⅛	4⅛-4¼
Fr. Franc	7¼-7⅜	7⅜-7½	7½-7⅝	7⅞-7⅞	8⅛-8¼	8⅞-8⅞
Italian Lire	9½-11½	9½-11½	10-10½	10¼-10⅝	10⅝-10¾	10⅞-11⅛
B. Fr. (Fin.)	6½-6¾	6⅜-6⅝	6⅜-6⅝	6½-6¾	6⅝-6⅞	7-7¼
B. Fr. (Con.)	6¼-6⅝	6¼-6⅝	6⅜-6⅝	6⅜-6⅝	6½-6⅞	6⅞-7¼
Yen	3⅞-3½	3¼-3⅜	3⅞-3⅞	4⅛-4¼	4⅛-4¼	4⅜-4½
D. Krone	9½-9⅞	9⅝-10	9⅞-10⅛	10-10⅜	10⅞-11⅛	10⅞-11⅛
Asian $Sing.	3¼-3½	N/A	4-4⅛	4⅛-4¼	4⅛-4½	4⅛-4¼

Long-term Eurodollars: Two years 7¾-8 per cent; three years 8⅛-8½ per cent; four years 8½-8⅝ per cent; five years 8⅝-8⅞ per cent nominal. Short-term rates are call for US Dollars and Japanese Yen; others, two days' notice.

OTHER CURRENCIES

July 20	£	$
Argentina	3.0455-3.0590	1.9000-1.9070
Australia	2.2730-2.2760	1.4170-1.4180
Brazil	71.9800-72.3900	44.9880-45.1330
Finland	7.2245-7.2325	4.5050-4.5070
Greece	224.05-227.90	139.45-141.80
Hong Kong	12.5900-12.6000	7.8085-7.8095
Iran	118.15*	72.30*
Korea (Sth)	1290.20-1301.90	804.70-811.90
Kuwait	0.45760-0.45820	0.28515-0.28525
Luxembourg	61.75-61.85	38.55-38.65
Malaysia	4.0950-4.1050	2.5495-2.5510
Mexico	2207.35-2231.35	1377.00-1391.00
N. Zealand	2.6455-2.6505	1.6495-1.6515
Saudi Ar.	6.0180-6.0235	3.7495-3.7505
Singapore	3.4050-3.4150	2.1220-2.1230
S. Af. (Cm)	3.3200-3.3360	2.0785-2.0745
S. Af. (Fn)	5.2605-5.4395	3.2785-3.3900
Taiwan	49.70-50.00	31.05-31.15
U.A.E.	5.8945-5.8995	3.6725-3.6735

*Selling rate

EXCHANGE CROSS RATES

July 20	£	$	DM	YEN	F Fr.	S Fr.	H Fl.	Lira	C $	B Fr.
£	1.	1.602	2.983	244.8	9.925	2.485	3.355	2155.	2.113	61.80
$	0.624	1.	1.862	152.8	6.195	1.551	2.095	1345.	1.319	38.60
DM	0.335	0.537	1.	82.06	3.328	0.833	1.125	722.5	0.708	20.72
YEN	4.086	6.545	12.19	1000.	40.55	10.15	13.71	8805.	8.631	252.5
F Fr.	1.008	1.614	3.005	246.6	10.	2.504	3.380	2171.	2.128	62.27
S Fr.	0.402	0.645	1.200	98.49	3.994	1.	1.350	867.2	0.850	24.87
H Fl.	0.298	0.477	0.889	72.95	2.958	0.741	1.	642.3	0.630	18.42
Lira	0.464	0.743	1.384	113.6	4.606	1.153	1.557	1000.	0.980	28.68
C $	0.473	0.758	1.412	115.9	4.698	1.176	1.588	1020.	1.	29.25
B Fr.	1.618	2.592	4.826	396.0	16.06	4.021	5.429	3487.	3.418	100.

Yen per 1,000: French Fr per 10: Lira per 1,000: Belgian Fr per 100.

FINANCIAL FUTURES

Weak tone in gilts and bonds

TRADING IN long term gilt futures was active on the London International Financial Futures Exchange yesterday.

The tone of the market was influenced by rumours that the Japanese long term prime rate will be increased by 0.3 per cent before the end of the month, setting back hopes of lower interest rates in Britain and the US.

Gilt futures closed firm on Friday. This led to some profit taking, with September gilts opening lower at 124-18, and weakening on the news about UK retail sales and bank lending.

The increase of 3.1 per cent in June retail sales, was much higher than the expected figure of about 1 per cent, and compared with a fall of 3.5 per cent in May.

A rise of 1 per cent in sterling M3 money supply was within the range of most forecasts, but June UK bank lending rose a much larger than expected £3.9bn, against a forecast of £2.5bn.

This, coupled with the high retail sales figure led to fears of a consumer led boom, putting upward pressure on inflation.

September gilts fell from 124-06 to 123-22 on the figures, and continued to lose ground as the market watched sterling weaken.

Profit taking in oil, and a report of over production of more than 2bn barrels a day by Opec, led to a fall to the day's low of 123-08, slightly above the close of 123-09, compared with 124-29 on Friday.

US Treasury bonds opened weaker, following selling in the Fast East, and closed at 91-23 for September delivery, compared with 92-08 previously, with traders suggesting the contract is more likely to weaken with a fall in the dollar than rally when the dollar strengthens.

Japanese Government bond futures were also depressed. Apart from rumours of a rise in the Japanese long term prime rate, there were also fears that rising oil prices will hit the Japanese economy and be bad for inflation.

LIFFE LONG GILT FUTURES OPTIONS

Strike Price	Calls—Last Sept	Calls—Last Dec	Puts—Last Sept	Puts—Last Dec
116	7.19	7.42	0.01	0.34
118	5.22	6.03	0.04	0.59
120	3.31	4.40	0.13	1.32
122	1.62	3.25	0.44	2.17
124	0.59	2.30	1.41	3.22
126	0.21	1.42	3.03	4.34
128	0.04	1.03	4.50	5.59
130	0.01	0.45	6.47	7.37

Estimated volume total, Calls 1,652 Puts 1,372
Previous day's open int: Calls 25,918 Puts 17,320

LIFFE US TREASURY BOND FUTURES OPTIONS

Strike Price	Calls—Last Sept	Calls—Last Dec	Puts—Last Sept	Puts—Last Dec
84	7.48	7.08	0.02	0.26
86	5.54	5.32	0.08	0.50
88	4.05	4.04	0.23	1.22
90	2.24	2.56	0.42	2.10
92	1.00	1.50	1.18	3.04
94	0.22	1.06	2.40	4.24
96	0.07	0.41	4.25	5.59
98	0.03	0.22	6.21	7.40

Estimated volume total, Calls 40 Puts 30
Previous day's open int: Calls 1,707 Puts 968

LIFFE FT-SE 100 INDEX FUTURES OPTIONS

Strike Price	Calls—Last July	Calls—Last Aug.	Puts—Last July	Puts—Last Aug.
23250	10.11	11.73	0.01	1.63
23500	7.67	9.88	0.07	2.28
23750	5.36	8.19	0.26	3.09
24000	3.34	6.68	0.74	4.08
24250	1.80	5.35	1.70	5.25
24500	0.81	4.21	3.21	6.61
24750	0.30	3.26	5.20	8.16
25000	0.09	2.47	7.49	9.87

Estimated volume total, Calls 37 Puts 43
Previous day's open int: Calls 206 Puts 183

LIFFE £/$ OPTIONS
£25,000 (cents per £1)

[illegible]

LONDON SE £/$ OPTIONS
£12,500 (cents per £1)

[illegible]

PHILADELPHIA SE £/$ OPTIONS
£12,500 (cents per £1)

[illegible]

LIFFE—EURODOLLAR OPTIONS
$1m points of 100%

[illegible]

LONDON

20-YEAR 12% NOTIONAL GILT
£50,000 32nds of 100%

[illegible]

6% NOTIONAL LONG TERM JAPANESE GOVT BOND
Y100m 100ths of 100%

[illegible]

THREE-MONTH STERLING
£500,000 points of 100%

[illegible]

FT-SE 100 INDEX
£25 per full index point

[illegible]

THREE-MONTH EURODOLLAR
$1m points of 100%

[illegible]

U.S. TREASURY BONDS 8%
$100,000 32nds of 100%

[illegible]

CURRENCY FUTURES

POUND—$ (FOREIGN EXCHANGE)

[illegible]

IMM—STERLING Se per £

[illegible]

LIFFE—STERLING £25,000 $ per £

[illegible]

CHICAGO

U.S. TREASURY BONDS (CBT) 8%
$100,000 32nds of 100%

[illegible]

U.S. TREASURY BILLS (IMM)
$1m points of 100%

[illegible]

JAPANESE YEN (IMM)
Y12.5m $ per Y100

[illegible]

DEUTSCHE MARK (IMM)
DM125,000 $ per DM

[illegible]

THREE-MONTH EURODOLLAR (IMM)
$1m points of 100%

	Latest	High	Low	Prev.
[illegible]				
June	92.10	92.12	92.09	92.12
Sept.	91.88	91.89	91.87	91.91
Dec.	91.67	91.68	91.66	91.70
Mar.	91.46	91.46	91.46	91.49
June	91.26	91.28	91.26	91.29

SWISS FRANC (IMM)
SFr 125,000 $ per SFr

	Latest	High	Low	Prev.
Sep.	0.6482	0.6499	0.6474	0.6464
Dec.	0.6530	0.6548	0.6525	0.6516
Mar.	0.6580	0.6600	—	0.6574
June.	—	—	—	0.6630

STANDARD & POORS 500 INDEX
$500 times index

	Latest	High	Low	Prev.
Sept.	313.75	314.40	313.40	314.70
Dec.	—	316.65	315.85	317.40
Mar.	318.50	318.70	318.10	319.60
June	320.70	320.90	320.50	321.80

£ WORLD VALUE OF THE POUND

The table below gives the latest available rate of exchange for the pound against various currencies on July 20, 1987. In some cases rate is nominal. Market rates are the average of buying and selling rates except where they are shown to be otherwise. In some cases market rates have been calculated from those of foreign currencies to which they are tied.

Abbreviations: (A) approximate rate, no direct quotation available; (F) free rate; (P) based on U.S. dollar parities and going sterling-dollar rates; (T) tourist rate; (Bas) basic rate; (bg) buying rate; (Bk) bankers' rate; (cm) commercial rate; (ch) convertible rate; (fn) financial rate; (exC) exchange certificate rate; (nc) non commercial rate; (nom) nominal; (o) official rate; (sg) selling rate; (c) controlled rate.

COUNTRY	CURRENCY	VALUE OF £ STERLING
Afghanistan	Afghani	99.20
Albania	Lek	10.0411
Algeria	Dinar	7.4930
Andorra	French Franc	9.9250
	Spanish Peseta	204.40
Angola	Kwanza	48.9155
Antigua	E. Caribbean $	4.33
Argentina	Austral	3.0523
Aruba	Florin	2.8836
Australia	Australian $	2.2745
[illegible]		
Ghana	Cedi	260.37
Gibraltar	Gibraltar £	1.0
Greece	Drachma	225.975
Greenland	Danish Krone	11.3100
Grenada	E. Caribbean $	4.33
Guadaloupe	Local Franc	9.9250
Guam	U.S. $	1.6020
Guatemala	Quetzal	1.6020
		(F) 4.4670
Guinea	Franc	545.53
[illegible]		
Panama	Balboa	1.6020
Papua New Guinea	Kina	1.4693
Paraguay	Guarani	512.96 (10)
		1258.36
Peru	Inti	(exc)o125.47
		(F) 49.69
		(Fn) 31.86
Philippines	Philippine Peso	32.00
Pitcairn Islands	£ Sterling	—
	New Zealand $	2.6480
[illegible]		

MONEY MARKETS

Hopes hit by data

INTEREST RATES remained steady on the London money market yesterday, with three-month interbank unchanged at 9⅞-9¾ per cent, but any hopes of a cut in UK bank base rates were hit by yesterday's economic data.

The rise of 1 per cent in June sterling M3 money supply was in line with expectations, but bank lending rose £3.9bn, against forecasts of about £2.5bn, and £2.7bn in May, while retail sales in June were very strong at 3.1 per cent, suggesting that the authorities will be reluctant to allow any easing of credit conditions at present.

UK clearing bank base lending rate 9 per cent since May 8

The Bank of England initially forecast a money market shortage of £400m, but revised this to £600m at noon. Total help of £502m was provided.

The authorities did not operate in the market during the morning. In the afternoon the central bank bought £407m bills outright, by way of £251m bank bills in band 1 at 8⅞ per cent and £156m bank bills in band 2 at 8¾ per cent.

Late assistance of around £95m was also provided.

Bills maturing in official hands, repayment of late assistance and a take-up of Treasury bills drained £1,106m. This outweighed Exchequer transactions adding £60m to liquidity, a fall in the note circulation of £350m and bank balances above target of £310m.

In Frankfurt call money rose to 3.925 per cent from 3.85 per cent on speculation the Bundesbank would tighten credit conditions at this week's securities repurchase agreement tender. Call money was offered at a peak of 4.05 per cent, even though the Bundesbank disbursed funds via state owned banks at 3.90 per cent. It has been suggested the central bank will allocate funds at this week's tender at 3.60 per cent, compared with 3.55 per cent recently.

An earlier securities repurchase pact expires this week, draining DM 8.1bn from the market, and dealers expect the Bundesbank to allocate a larger amount at tomorrow's tender, but are uncertain about the minimum level bids will be accepted, although the central bank is expected to invite offers at an unchanged minimum of 3.50 per cent.

Present tightness in the system is believed to be partly the result of recent dollar sales by the Bundesbank, resulting in a fall of DM 2.2bn in net reserves during the second week of July. By selling dollars for D-Marks the central bank has drained a similar amount of liquidity from the money market.

This will help ease the upward pressure in money supply growth.

In Paris the average discount rate on 13-week Treasury bills fell to 7.29 per cent from 7.43 per cent, at yesterday's tender.

FT LONDON INTERBANK FIXING

(11.00 a.m. July 20) 3 months U.S. dollars		6 months U.S. dollars	
bid 6⅞	offer 7	bid [illegible]	offer [illegible]

The fixing rates are the arithmetic means, rounded to the nearest one-sixteenth, of the bid and offered rates for $10m quoted by the market to five reference banks at 11.00 a.m. each working day. The banks are National Westminster Bank, Bank of Tokyo, Deutsche Bank, Banque Nationale de Paris and Morgan Guaranty Trust.

MONEY RATES

NEW YORK (Lunchtime)

		Treasury Bills and Bonds	
Prime rate	8¼	One month	5.06
Broker loan rate	7¾	Two month	5.23
Fed. funds	6⅝	Three month	5.63
Fed funds at intervention	6⅜	Six month	5.84
		One year	6.52
		Two year	7.35

July 20	Overnight	One Month	Two Months	Three Months	Six Months	Lombard Intervention
Frankfurt	3.85-4.00	3.70-3.85	3.70-3.85	[illegible]	[illegible]	[illegible]
Paris	6¾-6⅞	7½-7⅝	7⅞-7⅞	[illegible]	[illegible]	[illegible]
Zurich	¾-1¼	3¼-3⅝	—	[illegible]	[illegible]	[illegible]
Amsterdam	5⅜-5⅜	5⅜-5⅜	—	[illegible]	[illegible]	[illegible]
Tokyo	3.15625	3.53125	—	[illegible]	[illegible]	[illegible]
Milan	10¼-10⅞	10¼-10¾	—	[illegible]	[illegible]	[illegible]
Brussels	5.20	6½-6½	—	[illegible]	[illegible]	[illegible]
Dublin	9¼-9½	9¼-9½	9⅛-9⅝	[illegible]	[illegible]	[illegible]

LONDON MONEY RATES

July 20	Overnight	7 days notice	Month	Three Months	Six Months	One Year
Interbank	11-8½	9-8¾	9⅛-8⅞	[illegible]	[illegible]	[illegible]
Sterling CDs	—	—	9-8⅞	[illegible]	[illegible]	[illegible]
Local Auth'rity Deps.	9¼	8⅞	9	[illegible]	[illegible]	[illegible]
Local Authority Bonds	—	—	9¼	[illegible]	[illegible]	[illegible]
Discount Mkt Deps.	9½-8½	8⅞	8¾	[illegible]	[illegible]	[illegible]
Company Deposits	9	9	9⅛	[illegible]	[illegible]	[illegible]
Finance House Deposits	—	—	9	[illegible]	[illegible]	[illegible]
Treasury Bills (Buy)	—	—	8⅞	[illegible]	[illegible]	[illegible]
Bank Bills (Buy)	—	—	8⅞	[illegible]	[illegible]	[illegible]
Fine Trade Bills (Buy)	—	—	9⅞	[illegible]	[illegible]	[illegible]
Dollar CDs	—	—	6.70-6.65	[illegible]	[illegible]	[illegible]
SDR Linked Deposits	—	—	5⅞-5⅞	[illegible]	[illegible]	[illegible]
ECU Linked Deposits	—	—	6¼-6⅝	[illegible]	[illegible]	[illegible]

Treasury Bills (sell): one-month 8⅞ per cent; three-months [illegible] Bank Bills (sell): one-month 8⅞ per cent; three months 8⅞ per cent; Treasury Bills: Average tender rate of discount 8.7823 p.c. ECGD Fixed Rate Sterling Export Finance. Make up day June 30, 1987. Agreed rates for period July 26 to August 25, 1987, Scheme I: 10.47 p.c., Schemes II & III: 10.17 p.c. Reference rate for period May 30 to June 30, 1987, Scheme IV: 8.940 p.c. Local Authority and Finance Houses seven-days' notice, others seven days' fixed. Finance Houses Base Rate 9 per cent from July 1, 1987: Bank Deposit Rates for sums at seven days' notice 3 per cent. Certificates of Tax Deposit (Series 6); Deposit £100,000 and over held under one month 8⅞ per cent; one-three months 8¾ per cent; three-six months 9 per cent; six-nine months 9⅛ per cent; nine-12 months 9 per cent. Under £100,000 8 per cent from July 16. Deposits withdrawn for cash 5 per cent.

WORLD MARKETS

FT-ACTUARIES WORLD INDICES

Jointly compiled by the Financial Times, Goldman, Sachs & Co., and Wood Mackenzie & Co. Ltd., in conjunction with the Institute of Actuaries and the Faculty of Actuaries

NATIONAL AND REGIONAL MARKETS	MONDAY JULY 20 1987					FRIDAY JULY 17 1987			DOLLAR INDEX		
Figures in parentheses show number of stocks per grouping	US Dollar Index	Day's Change %	Pound Sterling Index	Local Currency Index	Gross Div. Yield	US Dollar Index	Pound Sterling Index	Local Currency Index	1987 High	1987 Low	Year ago (approx)
Australia (94)	147.19	−0.6	136.22	138.77	2.86	148.14	136.54	138.73	148.14	99.92	76.84
Austria (16)	97.02	+4.0	89.79	93.69	2.22	93.28	85.98	89.70	101.62	85.53	87.67
Belgium (48)	125.53	−0.1	116.17	119.80	4.00	125.69	115.85	119.80	126.72	96.19	81.85
Canada (132)	138.23	−0.3	127.92	131.97	2.12	138.59	127.74	132.32	138.59	100.00	96.05
Denmark (39)	112.96	−0.5	104.54	108.46	2.56	113.57	104.68	108.94	124.10	98.18	94.30
France (121)	106.64	−0.6	98.69	103.63	2.73	107.23	98.84	104.04	121.82	98.39	87.38
West Germany (92)	99.17	+0.4	91.78	96.00	1.97	98.79	91.06	95.45	100.33	84.00	78.97
Hong Kong (45)	135.36	+1.3	125.27	135.71	2.66	133.61	123.15	133.95	135.36	96.89	71.23
Ireland (14)	142.12	−0.3	131.52	139.11	3.23	142.60	131.43	139.24	145.41	99.50	91.20
Italy (76)	97.59	+1.3	90.31	98.02	1.85	96.35	88.81	96.71	112.11	93.47	85.25
Japan (458)	127.05	−3.1	117.58	122.71	0.55	131.12	120.86	126.61	161.28	100.00	88.26
Malaysia (36)	185.61	−0.5	171.78	182.31	2.06	186.58	171.97	183.16	186.58	98.24	79.11
Mexico (14)	301.54	+4.1	279.06	456.29	0.65	289.72	267.04	439.82	301.54	99.72	51.78
Netherland (38)	127.41	−0.4	117.92	121.83	3.63	127.97	117.96	122.16	127.97	99.65	90.95
New Zealand (26)	109.30	+0.8	101.15	95.79	2.93	108.38	99.90	94.91	109.30	83.93	72.85
Norway (24)	151.58	−0.4	140.28	139.59	1.96	152.14	140.23	139.75	152.14	100.00	97.11
Singapore (27)	163.35	+0.8	151.17	159.78	1.54	162.00	149.32	158.49	163.35	99.29	78.63
South Africa (61)	177.15	+0.3	163.95	129.10	3.19	176.57	162.74	128.68	186.74	100.00	73.64
Spain (43)	128.90	+1.2	119.29	124.46	3.26	127.35	117.38	122.58	128.90	100.00	83.86
Sweden (33)	119.31	−0.2	110.41	114.27	2.03	119.51	110.16	114.20	124.68	90.85	89.67
Switzerland (53)	102.81	+1.5	95.15	98.83	1.68	101.30	93.37	97.19	104.06	92.01	83.48
United Kingdom (336)	157.35	−1.7	145.62	145.62	3.00	160.01	147.49	147.49	162.87	99.65	95.03
USA (591)	127.09	−0.9	117.62	127.09	2.85	128.24	118.20	128.24	128.24	100.00	98.84
Europe (933)	126.31	−0.6	116.89	120.00	2.72	127.09	117.14	120.39	128.35	99.78	88.17
Pacific Basin (686)	128.09	−2.8	118.54	123.67	0.73	131.84	121.52	127.21	158.77	100.00	87.27
Euro–Pacific (1619)	127.43	−2.0	117.93	122.22	1.52	129.99	119.82	124.49	143.65	100.00	87.63
North America (723)	127.69	−0.9	118.17	127.39	2.81	128.80	118.72	128.49	128.80	100.00	98.69
Europe Ex. UK (597)	107.04	+0.4	99.06	103.96	2.46	106.64	98.30	103.40	107.75	98.02	84.04
Pacific Ex. Japan (228)	140.96	+0.2	130.45	135.17	2.70	140.72	129.71	134.45	140.96	99.92	74.76
World Ex. US (1826)	128.47	−1.9	118.89	122.87	1.56	130.91	120.66	125.03	143.38	100.00	87.74
World Ex. UK (2081)	125.01	−1.5	115.69	122.46	1.95	126.88	116.95	124.23	133.61	100.00	91.81
World Ex. So. Af. (2356)	127.57	−1.5	118.06	124.53	2.05	129.53	119.39	126.33	135.02	100.00	92.18
World Ex. Japan (1959)	128.32	−0.7	118.75	125.50	2.77	129.24	119.12	126.26	129.24	100.00	93.89
The World Index (2417)	127.89	−1.5	118.35	124.60	2.06	129.83	119.66	126.38	135.15	100.00	92.07

Base values: Dec 31, 1986 = 100

Belgian markets closed for public holiday.

EUROPEAN OPTIONS EXCHANGE

Series		Vol.	Last	Vol.	Last	Vol.	Last	Stock
		Aug 87		Nov 87		Feb 88		
GOLD C	$440	10	18	10	32.50	5	40	$450.20
GOLD C	$460	69	6.80	100	20.50	12	31.50	"
GOLD C	$480	20	3	106	14.50	20	23	"
GOLD C	$500	5	1.80	218	9.50	2	15.50	"
GOLD C	$520	—	—	5	5.80	—	—	"
GOLD P	$440	2	4	10	9.50	—	—	"
		Sep 87		Dec 87		Mch 88		
SILVER C	$700	5	87	20	130	—	—	$757
SILVER C	$750	5	65	—	—	—	—	"
		Jul 87		Aug 87		Sep 87		
$/FL. C	FL200	3	9.30	17	9.50	2	9.70	FL209.40
$/FL. C	FL205	6	4.80	739	5.90	8	6.60	"
$/FL. C	FL210	96	2.20	206	3.20	11	3.80	"
$/FL. C	FL215	—	—	62	1.40	—	—	"
$/FL. P	FL200	—	—	15	1.10	—	—	"
$/FL. P	FL205	21	1	33	1.90	—	—	"
$/FL. P	FL210	44	3.20	78	4.20	—	—	"
		Dec 87		Mar 88		June 88		
$/FL. C	FL190	1	19.60A	13	19.50	—	—	FL209.40
$/FL. C	FL200	43	10.20	7	10.70	—	—	"
$/FL. C	FL205	27	7.40	1030	8	—	—	"
$/FL. C	FL210	61	5	61	6	5	7.20	"
$/FL. C	FL215	29	3.20A	105	4.20	—	—	"
$/FL. C	FL225	5	1.20	—	—	—	—	"
$/FL. P	FL200	33	2.40	—	—	—	—	"
$/FL. P	FL205	9	4.30	—	—	—	—	"
$/FL. P	FL210	36	7.10	—	—	—	—	"
		July 87		Oct 87		Jan 88		
ABN C	FL500	609	15	28	21.90	4	31	FL489
ABN P	FL480	130	14.40B	14	15.50	—	—	"
AEGON C	FL100	468	4	90	6.60	—	—	FL97.50
AEGON P	FL95	188	3.50	6	4.20	—	—	"
AHOLD C	FL110	94	4.80	28	6.50	—	—	FL108.20
AHOLD P	FL95.50	5	1.50	—	—	—	—	"
AKZO C	FL180	1262	6.70	70	9.70B	13	14.50	FL169.80
AKZO P	FL160	375	3.80	78	6.50	10	7.80	"
AMEV C	FL65	177	4.40	27	6.70	—	—	FL65.20
AMEV P	FL65	78	3.20	10	3.50	—	—	"
AMRO C	FL85	1061	3.30	119	5.70	—	—	FL83.50
AMRO P	FL80	378	2.60	7	3.80	120	4.50	"
ELSEVIER C	FL60	653	2.60	1	5	—	—	FL55.80
ELSEVIER P	FL56	89	4.10	—	—	—	—	"
GIST-BROC. C	FL55	686	2.30	189	3.30	4	4.50	FL50.80
GIST-BROC. P	FL45	298	1.20	55	1.90	1	2.20	"
HEINEKEN C	FL190	464	11	11	14.50A	—	—	FL192.30
HOOGOVENS C	FL50	285	2.70	220	4.80	—	—	FL47.50
HOOGOVENS P	FL50	104	5	57	6.20	—	—	"
KLM C	FL55	845	2.40	64	4	19	5	FL53.20
KLM P	FL55	292	4.70	35	5	—	—	"
NEDLLOYD C	FL150	111	7.80B	3	12.20	—	—	FL147.50
NEDLLOYD P	FL140	208	6.30A	56	8.70	—	—	"
NAT.NED. C	FL80	833	2.30	180	3.70	15	6	FL76
NAT.NED. P	FL75	300	3.40	29	4.60	10	5.90	"
PHILIPS C	FL60	1890	2.30	631	3.70A	44	4.70A	FL55.70
PHILIPS P	FL55	541	3	232	4	16	4.80	"
ROYAL DUTCH C	FL290	715	10	22	14.80	8	20	FL289
ROYAL DUTCH P	FL300	32	16.50	7	19	509	22	"
ROBECO C	FL105	7	5.50	—	—	—	—	FL108.70
ROBECO P	FL110	7	3.40	—	—	—	—	"
UNILEVER C	FL144	653	6.50	146	9	—	—	FL143
UNILEVER P	FL136	126	3	10	4.30	—	—	"

TOTAL VOLUME IN CONTRACTS: 55,126

A=Ask B=Bid C=Call P=Put

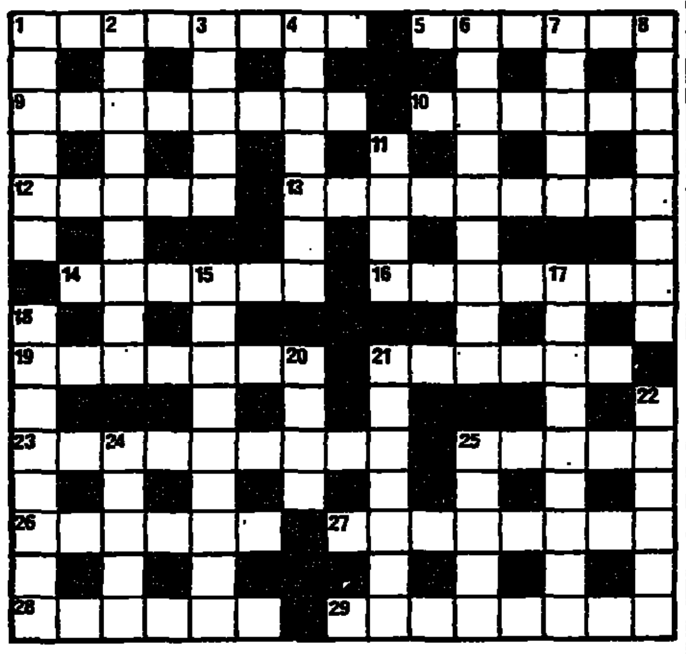
BASE LENDING RATES

	%		%		%
ABN Bank	9	● Charterhouse Bank	9	Nat. Bk. of Kuwait	9
Adam & Company	9	Citibank NA	9	NatWestminster	9
Allied Arab Bk Ltd	9	City Merchants Bank	9	Northern Bank Ltd	9
Allied Dunbar & Co	9	Clydesdale Bank	9	Norwich Gen. Trust	9
Allied Irish Bank	9	Comm. Bk. N. East	9	PK Finans. Intl (UK)	9½
American Exp. Bk	9	Consolidated Cred	9	Provincial Trust Ltd	10
Amro Bank	9	Co-operative Bank	*9	R. Raphael & Sons	9
Henry Ansbacher	9	Cyprus Popular Bk	9	Roxburghe G'rantee	9½
ANZ Banking Group	9	Duncan Lawrie	9	Royal Bk of Scotland	9
Associates Cap Corp	9	Equat'r'l TstC'p plc	9	Royal Trust Bank	9
Authority & Co Ltd	9	Exeter Trust Ltd	9½	Smith & Williams Secs	9
Banco de Bilbao	9	Financial & Gen. Sec	9	Standard Chartered	9
Bank Hapoalim	9	First Nat. Fin. Corp	10	TSB	9
Bank Leumi (UK)	9	First Nat. Sec. Ltd	10	UDT Mortgage Exp	¶11.1
Bank Credit & Comm	9	● Robert Fleming & Co	9	United Bk of Kuwait	9
Bank of Cyprus	9	Robert Fraser & Ptrs	10	United Mizrahi Bank	9
Bank of Ireland	9	Girobank	9	Unity Trust PLC	9
Bank of India	9	Grindlays Bank	‡9	Western Trust	9
Bank of Scotland	9	● Guinness Mahon	9	Westpac Bank Corp	9
Banque Belge Ltd	9	HFC Trust & Savings	9	Whiteaway Laidlaw	9½
Barclays Bank	9	● Hambros Bank	9	Yorkshire Bank	9
Benchmark Tst Ltd	9	Heritable & Gen. Tst	9		
Beneficial Trust Ltd	10	● Hill Samuel	§9		
Berliner Bank AG	9	C. Hoare & Co	9		
Brit Bk of Mid East	9	Hongkong & Shangh	9		
● Brown Shipley	9	Lloyds Bank	9		
Business Mtge Tst	9	Meghraj & Sons Ltd	9		
CL Bank Nederland	9	Midland Bank	9		
Canada Permanent	9	● Morgan Grenfell	9		
Cayzer Ltd	9	Mount Credit Corp. Ltd	9		

● Members of the Accepting Houses Committee. * 7-day deposits 4%. Savewise 6.66%. Top Tier—£2,500+ at 3 months' notice 7.97%. At call when £10,000+ remains deposited. ‡ Call deposits £1,000 and over 4½% gross. ¶ Mortgage base rate. § Demand deposit 3.99%. Mortgage 11.25%.

FT CROSSWORD PUZZLE No 6,383

DANTE



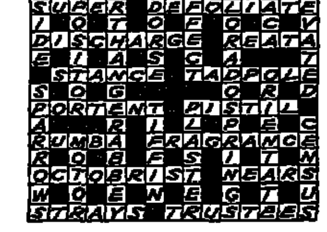
ACROSS

1 Prime minister? (6)
5 Doctor in habit of fighting (6)
9 Bad spellers have test in city (8)
10 Steer awkwardly round a difficult problem (6)
12 Vessel carrying fuel from Loire (5)
13 Dream of Black Bess? (9)
14 Improvement seen in Religious Education class (6)
16 Walked back around a man sleeping (7)
19 Stage at which one may get on (3-4)
21 He brought fresh weight to laws of motion (6)
23 Possibly stayed for Sunday (3, 2, 4)
25 Understand it is a number less than 10 (5)
26 Cake made by Claire (6)
27 You may lose a whole day going over it (4-4)
28 Love duets translated and put out (6)
29 Perfect lady about fifty (8)

DOWN

1 Grubby residence (6)
2 Dangerous revolutionaries (9)
3 Victor loses his head going round the bull (5)
4 Initial word of companion in the morning (7)
6 Defeat comes from fielding error (9)
7 City of Arabs (5)
8 Hills split internally by floods (8)
11 Aged? By jove, it might be! (4)
15 Improperly dressed on parade? (3, 2, 4)
17 One is glad to be so close (9)
18 Fireproof third-party (8)
20 Take off a ring, we hear (4)
21 Can turn on speed to make the land more productive (7)
22 Emphasise it may be caused by overworking (6)
24 Shouts out agreement about a fifty-fifty arrangement (5)
25 Gloomy doctor has a listener (5)

Solution to Puzzle No 6,382



FT UNIT TRUST INFORMATION SERVICE

AUTHORISED UNIT TRUSTS

FT UNIT TRUST INFORMATION SERVICE

Mercury Fund Managers Ltd (c)
33 King William St, EC4R 9AS — 01-280 2060

American Growth	113.6	120.1	+0.7	0.72
Accum Units	119.0	125.9	+0.8	0.72
Brit Star Cos Fund	54.3	57.4	-0.7	2.17
(Accum Units)	54.3	57.4	-0.7	2.17
American Sm Cos Fd	54.1	57.2	+1.1	0.44
(Accum Units)	54.1	57.2	+1.1	0.44
American Income	52.3	55.3	-0.4	3.69
(Accum Units)	57.0	60.3	-0.4	3.69
European Growth	148.4	157.0	-1.0	1.31
(Accum Units)	153.6	162.5	+1.0	1.31
European Income	82.4	87.1xd	+0.7	4.14
(Accum Units)	86.3	91.3xd	+0.7	4.14
General	397.7	420.8	-5.2	2.47
(Accum Units)	660.5	698.9	-8.8	2.47
Gilt	89.6	90.0	-0.2	6.99
(Accum Units)	106.6	107.1	+0.0	6.99
Global Fund	50.7	53.6	-0.3	0.68
(Accum Units)	50.7	53.6	-0.3	0.68
High Interest Fund	48.0	50.7xd	+0.0	9.05
(Accum Units)	48.3	51.1xd	+0.0	9.05
High Income Fund	55.6	58.8xd	-0.2	4.46
(Accum Units)	56.5	59.2xd	-0.2	4.46
Income	131.6	139.2xd	-0.3	2.98
(Accum Units)	150.9	159.6xd	-0.3	2.98
International	292.4	309.4xd	-1.6	1.16
(Accum Units)	366.0	387.2xd	-2.0	1.16
Japan	189.2	200.2	-10.3	0.51
(Accum Units)	194.2	205.4	-10.5	0.51
Pacific Fd	58.2	61.5xd	+0.0	0.10
(Accum Units)	58.2	61.5xd	-0.0	0.10
Recovery	332.4	351.7	-1.0	1.57
(Accum Units)	361.5	382.5	-1.0	1.57
UK Smaller Co's Fd	56.4	59.6	+0.0	1.72
(Accum Units)	56.4	59.6	+0.0	1.72
Exempt May 27	371.9	381.4	+4.8	2.18
(Accum Units)	582.6	597.5	—	2.18

Merlin Fund Mngmnt Ltd
33 King William St, London EC4R 9AS — 01-638 5678

Merlin July 7	582.6	597.5	+7.6	2.18

Metropolitan Unit Trust Mngrs Ltd
3 Darkes Lane, Potters Bar EN6 1AJ. — 0707 45184

UK Income Fund	66.4	70.6	-0.4	4.25
Accum Units	66.4	70.6	-0.4	4.25
UK Growth Fund Acc	65.9	70.0	-0.4	1.43

Prudential Unit Trust Mngrs Ltd (a) (b) (c)
51-59 Ilford Hill, Ilford, Essex IG1 2DL — 01-478 3377
Holborn LinkLine 0800 010345

Holborn Comm Tst	82.9	87.7		0.35
Holborn Equity Income	76.7	81.1		3.17
Holborn Equity Tst	623.6	659.8	-4.8	2.05
Holborn European Tst	118.6	125.4xd	+1.2	0.66
Holborn Gilt Tst	216.9	227.2	+0.6	2.10
Holborn High Inc Tst	91.8	98.1xd	—	4.40
Holborn Intl Grw Tst	119.9	126.8xd		.69
Holborn Japanese Tst	124.0	131.2		0.04
Holborn N. Amer. Tst	97.2	102.8	+1.8	0.47
Holborn Sm Cos Tst	83.5	88.3	-0.5	1.32
Holborn Spec Sits Tst	108.8	115.1xd	-0.9	1.27
Holborn UK Growth Tst	123.1	130.2	-0.8	1.44

Quilter Management Co Ltd
31-45 Gresham Street, London EC2 — 01-600 4177

Quadrant Gen. Fd	705.8	746.9	—	1.31
Quadrant Income	950.5	971.0xd	—	3.88
Quadrant Intl. Fund	457.0	483.7	+6.2	1.03
Quadrant Spec. Sits	497.3	526.3	—	1.25

Reliance Unit Mgrs. Ltd
Reliance House, Tunbridge Wells, Kent — 0892 510033

British Life	259.0	274.4	—	2.09
Reliance Unit Tst (Inc)	181.7	192.7	—	1.68
Reliance Uk Tst (Acc)	243.9	259.3	—	1.68

Rensburg Fund Managers
Silkhouse Ct., Tithebarn St., Liverpool. — 051-227 2030

Internat. Growth Trust	50.8	53.4	+0.5	1.5

N.M. Rothschild Fund Mgmt
St Swithin's Lane, London EC4 — 01-634 2901/4

NC America (Inc)	337.2	358.7xd	+4.0	0.75
NC America (Acc)	368.2	391.7	+4.4	0.75
NC Inc Fd.	133.2	141.6	-1.7	2.66
NC Japan Fd.	191.7	203.9	+1.6	—
NC Major UK Cos Fd.	74.7	79.4xd	-1.0	2.52
NC Smllr Australasian	90.0	95.7	+0.6	0.48
NC Smlr Canadian CoFd.	49.5	52.6	+0.5	0.93
NC Smaller Cos	254.1	270.3	-0.2	0.85
NC Smaller European	193.3	205.6	+0.4	0.46

[illegible]

INSURANCES

[illegible]

FT UNIT TRUST INFORMATION SERVICE

Manufacturers Life Insurance Co (UK)
St George's Way, Stevenage 0438 356101

Managed	461 1	485.4		-
Property	280 4	295.2		—
Equity	601 4	633.0	-	—
Gilt Edged	369 6	389.0		—
Deposit	204 5	215.3		—
Investment	256.8	269 7	-	—
International	423.2	445.5		—
Pension Fund Prices				
Managed Init.		395.2		—
Do. Accum		410.3		—
Property Init.		243.0		—
Do Accum.		297.3		
Equity Init.		453 1		—
Do. Accum.		553.6		—
Gilt-Edged Init.		236 4		
Do. Accum.		289.2		—
Guaranteed Init.		157 9		—
Do. Accum.		193.3		—
International Init.		502.3		—
Do. Accum.		614.2		—
Index Lk Gilt Init.		137 9		—
Do. Accum.		168.6		—

Merchant Investors Assurance
Leon House, 233 High St, Croydon 01-686 9171

Property	301.8	+0.1	—
Property Pens.	348.5	+0.1	—
Equity	212.8	-0 4	—
Equity Pens.	972.0	-3 0	—
Money Market	318 0	+0.2	—
Money Mkt. Pens.	570.5	+0.6	—
Deposit	236.7	+0.0	—
Deposit Pens.	376.8	+0.1	—
Managed	308 1	-0.3	—
Managed Pens.	599.5	-1.1	—
Intl Equity	353 4	+1 0	—
Do Pens.	573.2	+2.3	—
Intl Managed	327.2	+0 4	—
Do. Pens	487 8	+0 6	—
North American	133 8	+1.5	—
Do Pens.	154 2	+2.4	—
Far East	286.8	+1.1	—
Do Pens.	421.0	+1.6	—
Intnl Currency	174 2	-0.1	—
Do Pens.	227.5	-0.2	—
Index Linked	134.5	+0.2	—
S & C Managed Fd	147 4	+0 1	—
S & C Pens Mngd Fd	120.7	+0.2	—

Trustlink Life Funds [illegible]

National Provident Inst.—Contd.

Far East Initial	467 7	492.4	-3.1	—
Far East	559 1	588 6	-3.7	—
Prop. Initial	141.0	148.5	-0.8	—
Prop.	168.8	177.7	-0.9	—
Fixed Int. Initial	191.4	201.5	-0.7	—
Fixed Int	228 9	241 0	-0.7	—
Indexed Gilt Initial	105 0	110.6	+0.1	—
Indexed Gilt	124.5	131 1	+0.3	—
Deposit Initial	134 6	141.7	+0.1	—
Deposit	162.6	171.2	+0.1	—
NPI Pensions Management Ltd				
Managed Fund	952.2	969.2		—

Prices July 1 Next dealing August 3.

Norwich Union Asset Management Ltd
PO Box 124, Norwich NR1 1JS 0603 683986

NUAM Funds				
Managed Fund	58.5	61.6	-0.2	—
Stock Market Mngd Fund	60 1	63 3	-0.3	—
Equity Fund	66.9	70.5	-0.6	—
International Fund	54 4	57.3	+0.3	—
European Fund	57.7	60 8	+0.1	—
North American Fund	51.3	54.0	+0.5	—
Pacific Fund	60.5	63 7	-0.8	—
Property Fund	50 7	53.4		—
Fixed Interest Fund	50 8	53.5	-0 4	—
Index Linked Sec Fund	46 6	49 1	+0.1	—
Deposit Fund	50.8	53.5		—
NUAM Retirement Plans				
Mixed Fund	63 7	67.1		—
UK Ordinary Share	78.7	82.9	-0.5	—
International Fund	56 1	59 1	+0.7	—
Property Fund	51 7	54.5		—
Fixed Interest Fund	52.8	55.6	+0.1	—
Index Linked Sec Fund	46.5	49 0		—
Deposit Fund	52.7	55.5		—
NUAM (MF)				
Managed Fund	801 6	843.8	-3.5	—
Equity Fund	1790.2	1884.5	-16.9	—
Property Fund	315.5	332.2		—
Fixed Interest Fund	373 7	393.4	-3.1	—
Deposit Fund	207 3	218.3		—
International Fund	141.0	148.5	+0.1	—
Index Linked Sec Fund	46.6	49.1	+0.7	—

Norwich Union Life Insurance Soc.
PO Box 4, Norwich NR1 3NG 0603 622200

Pensionvestor & Unit-Linked Plan

Fixed Interest Fund [illegible]

[illegible]

OFFSHORE AND OVERSEAS

[illegible]

MANAGEMENT SERVICES

[illegible]

حلقة من الأصل

FT UNIT TRUST INFORMATION SERVICE

[illegible]

LONDON SHARE SERVICE

BRITISH FUNDS

"Shorts" (Lives up to Five Years)

[illegible]

Five to Fifteen Years

[illegible]

Over Fifteen Years

[illegible]

Undated

[illegible]

BRITISH FUNDS—Contd

Index-Linked

1987 High	Low	Stock	(b)	Price £	+ or −	Yield (1)	(2)
131¼	125⅝	Treas. 2pc '88	(247.1)	131⅛	+⅛	—	1.58
117¼	108¼	Do. 2pc '90	(333.9)	117¼	+⅛	0.60	1.90
99⅞	93½	Do. 2pc '92‡‡ (385.8)		98⅞	+⅛	1.93	2.63
128⅞	119⅛	Do. 2pc '96	(267.9)	126⅛	+⅛	3.20	3.68
111⅞	101⅞	Do 2½pc '01	(308.8)	106	+⅛	3.42	4.00
110	100¼	Do. 2½pc '03	(310.7)	104⅝	+⅛	3.39	3.96
113⅞	103¼	Do. 2pc '06	(274.1)	106⅛	+⅛	3.47	3.88
108	98⅝	Do. 2½pc '09	(310.7)	101⅞	+⅛	3.41	3.80
113⅞	103⅞	Do. 2½pc '11	(294.1)	106½xd	+⅛	3.54	3.75
95⅞	86⅞	Do. 2½pc '13	(351.9)	89xd	−⅛	3.46	3.69
103⅞	94	Do. 2½pc '16	(322.0)	96⅞xd	−⅛	3.27	3.63
101⅞	91⅞	Do. 2½pc '20	(327.3)	95⅞	−⅛	3.30	3.56
86⅞	77¼	Do. 2½pc '24 ‡‡(385.3)		80⅞	−⅛	3.24	3.47

Prospective real redemption rate on projected inflation of (1) 10% and (2) 5%. (b) Figures in parentheses show RPI base month for indexing, ie 8 months prior to issue. RPI for November 1986: 391.70 and for June 1987: 101.9 (rebased at 100 January 1987 conversion factor 3.945).

INT. BANK AND O'SEAS GOVT STERLING ISSUES

1987 High	Low	Stock	Price £	+ or −	Yield Int.	Red.
113⅝	99½	African Dv Bk 11¼Ln 2010	108xd	−⅜	10.30	10.20
109⅝	95	Asian Dev Bk 10¼pcLn2009	104¼	−⅜	9.83	9.76
136	118⅛	Australia 13½pc 2010	130⅜	−1	10.35	10.06
118¼	102¼	Do. 11¾pcLn2015	112¼	−⅜	10.09	10.00
115⅝	102¼	Euro Inv Bk 11pc Ln 2002	110¼	−⅜	9.93	9.62
110¼	97½	Do. 10¼pc2004	104½	−⅜	9.78	9.63

[illegible]

CORPORATION LOANS

[illegible]

COMMONWEALTH & AFRICAN LOANS

[illegible]

LOANS

Building Societies

[illegible]

Public Board and Ind.

[illegible]

Financial

[illegible]

FOREIGN BONDS & RAILS

[illegible]

AMERICANS

1987 High	Low	Stock	Price £	+ or −	Div Gross	C'vr	Y'ld Gr's
[illegible]							
32	24⅝	Morgan (JP) $2.5	29⅛xd	+⅛	$2.72	—	5.6
46⅝	36⅝	NYNEX $1	43	+1⅞	h$3.48	—	5.0
27	21¼	PHH	26⅛xd	−⅛	$1.04	—	2.4
25⅛	19⅛	Pacificorp $3.25	22	+⅛	$2.52	—	7.0
19⅛	13½	Pacific Telesis $0.10	16¼	+½	h$1.64	—	6.2
22	17¼	Pall Corp. 25c	18¼xd	+⅛	34c	—	1.1
56⅞	45⅛	Pennzoil 83c	49⅞	+⅛	$2.20	—	2.7
28⅛	21⅛	Pillsbury‡	27½	+¼	$1.00	—	2.2
36⅞	26⅛	Quaker Oats $5	32½xd	+½	h80c	—	1.5
42	28⅛	RJR Nabisco Inc	36	+1⅛	$1.60	—	2.7
39	27¼	Rep NY Corpn $5	31½	+¼	$1.16	—	2.3
18⅛	15⅛	Rockwell Intl. $1	17½	+½	66c	—	2.3

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[illegible]

Money Market Bank Accounts

	Gross	Net	Gr Equiv CAR	Int Cr'd
ANZ Finance High Interest Cheque Acc				
Minerva Hse, Montague Cl, London, SE1 01-378 2576				
£250-£2,500	7.00	5.27	7.36	Qtr
£2,500+	9.00	6.77	9.52	Qtr
Adam & Co. plc				
22 Charlotte Sq, Edinburgh EH2 4DF 031-225 8484				
Full Service Cur Acc	8.20	6.00	8.64	Qtr
Aitken Hume				
30 City Road, EC1Y 2AY. 01-638 6070				
Treasury Acc	8.25	6.21	8.71	Qtr
Mthly Int Chq £1000-£5000	8.00	6.02	8.48	Mth
Mth. Int. Chq. £5,000+	8.25	6.21	8.75	Mth
AAB—Allied Arab Bank Ltd				
97-101 Cannon St, London, EC4N 5AD 01-626 2046				
HICA, HICMA	8.75	6.58	9.30	Mth
Bank of Scotland				
38 Threadneedle St, EC2P 2EH. 01-628 8060				
Money Mkt Cheque Acc.	8.10	6.09	8.59	Mth
Barclays Prime Account				
PO Box 125, Northampton 0604 252891				
High Int. Cheque	8.00	6.00	8.40	Qtr
Benchmark Trust Ltd Premier Account				
9 Henrietta Place, W1M 9AG. 01-631 3313				
£5,000-£10,000	9.00	6.77	9.43	6-mth
£10,001-£20,000	9.25	6.96	9.70	6-mth
£20,000+	9.50	7.15	9.97	6-mth
Brown Shipley & Co Ltd				
Founders Court, Lothbury, London EC2. 01-606 9833				
Demand Acc	8.25	6.21	8.95	Qtr.
Charterhouse Bank Limited				
1 Paternoster Row, EC4M 7DH. 01-248 4000				
Sterling	8.25	6.21	8.75	Mth
U.S. Dollar	6.25	4.70	6.85	Mth
German Marks	3.00	2.26	3.13	Mth
Swiss Francs	2.50	1.88	2.60	Mth

[illegible]

Money Market Trust Funds

[illegible]

UNIT TRUST NOTES

[illegible]

AMERICANS—Continued

1987 High	Low	Stock	Price £	+ or −	Div Gross	C'vr	Y'ld Gr's
30 3/8	22 7/8	Sara Lee $1	27 1/4xd	+3/8	$1.00	--	2.2
11 1/8	8 7/8	Saul (B.F.) $1	10 1/2xd	+1/4	20c	--	1.2
26 1/4	19 7/8	Southwestern Bell $1	23xd	+1/4	h$2.32	--	6.2
18 1/8	14 1/4	Staley Continental	17 1/2	+1/8	80c	--	2.8
44 3/4	36 3/4	Sun Co. Inc. $1	42 1/8xd	+1/4	$3.00	--	4.4
37	28 1/2	TRW Inc. $1 1/4	35 1/2	+1 1/4	h$1.60	--	2.8
32 1/2	25 7/8	Tenneco $5	32 1/2	+1/8	$3.04	--	5.7
187 1/2	149 1/2	Do 10pcLn.Stk. 91-5	187 1/2xd		10%	--	5.5
28 3/8	17 1/8	Texaco $6.25	28 1/4		$3.00	--	6.5
65 1/4	47 1/8	Time Inc. $1	65 1/4	+2	$1.00	--	0.9
14 1/2	11	Tracor $0.33	12 3/4	+1/4	40c	--	1.9
26 7/8	18 7/8	Transamerica $1	26	+1/8	$1.76	--	4.2
12 1/4	922p	Transworld Corp $5	11 1/4	+1/4	20c	--	1.0
46	29 3/4	TRINOVA Corp.	45 5/8	+1/2	h$1.00	--	1.3
24 1/8	15 1/8	♥USX $1	24 1/8	+3/8	$1.20	--	3.1
19 1/8	15 1/8	Union Carbide $1	18 1/2	+1/4	$1.50	--	5.0
35 1/8	26 3/4	Utd. Technologies	34 1/4	+1 1/8	$1.40	--	2.5
38 5/8	27	US West	31 5/8	+5/8	$3.28	--	6.4
26 1/4	17 1/8	Waste Management $1	26 1/4	+1/2	--	--	--
£22 1/4	£20 1/2	Whirlpool $1.0	£21 1/8	+1/4	--	--	--
35 5/8	26	♥Woolworth $3 1/2	35 5/8	+1 1/8	$1.32	--	2.3

CANADIANS

1987 High	Low	Stock	Price £	+ or −	Div Gross	C'vr	Y'ld Gr's
21p	10p	♥Abbot Energy Corp.	19p	...	--	--	--
12 5/8	506p	♥Amer. Barrick Res.	12 1/4xc	+1/8	--	--	--
122p	52p	Armeno	79p	+5	--	--	--
19 3/8	14 5/8	Bk. Montreal ‖	16 1/4		$2.00	--	5.7
10 1/2	745p	Bk. Nova Scot.‖	862p	+3	72c	--	3.8
20 1/4	18	BCE ‖	19 1/4	+1/4	$2.40	--	5.6
10 3/8	712p	♥Bow Valley‖	10 3/8	+1/4	40c	--	1.8
19 3/4	12 5/8	♥Brascan‖	19 1/8	+1/4	88c	--	2.1
609p	277p	♥Breakwater Res.	456p	+6	--	--	--
11 1/8	894p	Can.Imp.Bk. $2	10 3/4xd	...	$1.08	--	4.6
13 3/8	865p	Can. Pacific ‖	13 5/8xd	+1/8	48c	--	1.6
42 1/2	37 1/2	Do. 4pc Deb £100	41 1/2	.....	4%	--	9.6
13 1/4	756p	♥Echo Bay Mines	12 3/4	−1/8	20c	--	0.7
181p	66p	Euro-Asia Capital Ltd.	175p	+7	--	--	--
733p	283p	♥Galactic Resources	560p	...	--	--	--
69p	32p	Global Data Systems	52 1/2p	+4 1/2	--	--	--
873p	399p	♥Granges Explm‖	740p	−2	--	--	--
18 1/2p	10p	♥Gt Pacific Res.	16 1/2p	+1/2	--	--	--
14 1/2	781p	♥Gulf Canada‖	14	+1/8	52c	--	1.7
13 1/4	10	♥Hawker Sid Can‖	13 1/4	+1/8	96c	--	3.3
740p	460p	Henlys Group	544p	−26	--	--	--
14 1/8	10 1/8	Hudson's Bay ‖	11 1/2	+1/4	60c	--	2.4
36	24 1/4	♥Imperial Oil‖	35 1/4	...	s$1.60	--	2.1
12 3/4	782p	Inco‖	12 3/4xd	+1/4	US$0.30	--	1.0
25 1/8	14 1/4	♥Intl. Corona Res.	19	.....	--	--	--
695p	575p	♥Inland Nat. Gas $1	692p	+31	60c	--	4.0
10 1/4	385p	♥Lacana Mining Corp ‖	893p	−6	Q15c	--	0.8
363p	158p	♥Muscocho Explo.	296p	−12	--	--	--
10	748p	♥Mini Business Syst.‖	892p	+16	--	--	--
623p	338p	♥Nevada Goldfields	503p	+7	--	--	--
12	927p	♥Rio Algom	11 1/4	+1/8	$1.30	--	5.3
19 1/4	14 1/4	Royal Bk. Can ‖	17	.....	$2.00	--	5.4
385p	135p	♥Royex Gold Mining ‖	254p	+9	--	--	--
49 1/2	40 1/4	Seagram‖	49 3/8	+1/2	US$1.00	--	1.2
15	11 1/2	Toronto-Dom. Bk.‖	14 5/8	−1/4	84c	--	2.6
228p	19p	♥Trans Atlantic Res ‖	98p	+1	--	--	--
10 1/4	789p	♥Trans Can Pipe	880p	−8	$1.12	--	5.9
184p	124p	Varity Corp‖	149p	+2	8	--	--

BANKS, HP & LEASING

1987 High	Low	Stock	Price	+ or −	Div Net	C'vr	Y'ld Gr's	P/E
194	146	ANZ $A1	193	+1	hQ30.7c	2.4	4.8	8.6
*273	230	Allied Irish	258	....	Q61.6%	2.8	5.5	9.0
£164	£135 1/4	Algemene Fl 100	£144	+1/2	hQ27%	2.1	5.8	8.2
*67	53	Anglo Irish	65xd	.....	Q19.6%	1.4	6.8	16.6
108	84	Ansbacher (H.) 1p	108	.....	2.0	--	2.5	--
£40 1/2	£24 1/4	Banco de Bilbao S.A.	£33 1/4	.....	Q38%	3.0	2.8	18.7
£30 1/8	£23 1/2	Banco de Santander	£30 1/8	.....	Q23.2%	♦	1.4	♦
*245	176	Bank Ireland Ir£1	238	.....	Q15.93%	2.9	6.1	8.2
£14	£11 1/2	Bank Leumi	£14	.....	--	--	--	--

BEERS, WINES & SPIRITS

BUILDING, TIMBER, ROADS

BUILDING, TIMBER, ROADS—Cont

CHEMICALS, PLASTICS

DRAPERY AND STORES

DRAPERY AND STORES—Cont.

ELECTRICALS

ENGINEERING

ENGINEERING—Continued

FOOD, GROCERIES, ETC

HOTELS AND CATERERS

INDUSTRIALS (Miscel.)

INDUSTRIALS—Continued

INDUSTRIALS—Continued

INSURANCES

LONDON SHARE SERVICE

INSURANCES—Continued

LEISURE

MOTORS

Motors and Cycles

Commercial Vehicles

Components

Garages and Distributors

NEWSPAPERS, PUBLISHERS

PAPER, PRINTING, ADVERTISING

PAPER, PRINTING—Continued

PROPERTY

SHIPPING

SHOES AND LEATHER

SOUTH AFRICANS

TEXTILES

TEXTILES—Cont.

TOBACCOS

TRUSTS, FINANCE, LAND

Investment Trusts

Finance, Land, etc

FINANCE, LAND—Cont.

OIL AND GAS

OIL AND GAS—Continued

OVERSEAS TRADERS

PLANTATIONS

Rubbers, Palm Oil

Teas

MINES

Central Rand

Eastern Rand

Far West Rand

O.F.S.

Diamond and Platinum

Central African

Finance

Australians

MINES—Continued

Tins

Miscellaneous

THIRD MARKET

NOTES

Unless otherwise indicated, prices and net dividends are in pence and denominations are 25p. Estimated price/earnings ratios and covers are based on latest annual reports and accounts and, where possible, are updated on half-yearly figures. P/Es are calculated on "net" distribution basis, earnings per share being computed on profit after taxation and unrelieved ACT where applicable; bracketed figures indicate 10 per cent or more difference if calculated on "nil" distribution. Covers are based on "maximum" distribution; this compares gross dividend costs to profit after taxation, excluding exceptional profits/losses but including estimated extent of offsettable ACT. Yields are based on middle prices, are gross, adjusted to ACT of 27 per cent and allow for value of declared distribution and rights.

- ● "Tap Stock".
- * Highs and Lows marked thus have been adjusted to allow for rights issues for cash.
- † Interim since increased or resumed.
- ‡ Interim since reduced, passed or deferred.
- ‡‡ Tax-free to non-residents on application.
- ϕ Figures or report awaited.
- ♥ Not officially UK listed; dealings permitted under Rule 535(4)(a).
- ♣ USM; not listed on Stock Exchange and company not subjected to same degree of regulation as listed securities.
- ‡‡ Dealt in under Rule 535(3).
- # Price at time of suspension.
- ¶ Indicated dividend after pending scrip and/or rights issue: cover relates to previous dividend or forecast.
- ♦ Merger bid or reorganisation in progress.
- ♣ Not comparable.
- ♠ Same interim: reduced final and/or reduced earnings indicated.
- § Forecast dividend; cover on earnings updated by latest interim statement.
- ‡ Cover allows for conversion of shares not now ranking for dividends or ranking only for restricted dividend.
- ✡ Cover does not allow for shares which may also rank for dividend at a future date. No P/E ratio usually provided.
- ‖ No par value.

B.Fr. Belgian Francs. Fr. French Francs. §§ Yield based on assumption Treasury Bill Rate stays unchanged until maturity of stock. a Annualised dividend. b Figures based on prospectus or other offer estimate. c Cents. d Dividend rate paid or payable on part of capital, cover based on dividend on full capital. e Redemption yield. f Flat yield. g Assumed dividend and yield. h Assumed dividend and yield after scrip issue. j Payment from capital sources. k Kenya. m Interim higher than previous total. n Rights issue pending. q Earnings based on preliminary figures. s Dividend and yield exclude a special payment. t Indicated dividend: cover relates to previous dividend, P/E ratio based on latest annual earnings. u Forecast, or estimated annualised dividend rate, cover based on previous year's earnings. v Subject to local tax. x Dividend cover in excess of 100 times. y Dividend and yield based on merger terms. z Dividend and yield include a special payment: Cover does not apply to special payment. A Net dividend and yield. B Preference dividend passed or deferred. C Canadian. E Minimum tender price. F Dividend and yield based on prospectus or other official estimates for 1986-87. G Assumed dividend and yield after pending scrip and/or rights issue. H Dividend and yield based on prospectus or other official estimates for 1986. K Dividend and yield based on prospectus or other official estimates for 1987-88. L Estimated annualised dividend, cover and p/e based on latest annual earnings. M Dividend and yield based on prospectus or other official estimates for 1985-86. N Dividend and yield based on prospectus or other official estimates for 1987. P Figures based on prospectus or other official estimates for 1987. Q Gross. R Forecast annualised dividend, cover and p/e based on prospectus or other official estimates. T Figures assumed. W Pro forma figures. Z Dividend total to date.

Abbreviations: xd ex dividend; xc ex scrip issue; xr ex rights; xa ex all; xd ex capital distribution.

REGIONAL & IRISH STOCKS

The following is a selection of Regional and Irish stocks, the latter being quoted in Irish currency.

Albany Inv 20p	91	−1	Fin. 13% 97/02	£111¼	.....
Craig & Rose £1	£20	−¼	Arnotts	380	.....
Finlay Pkg. 5p	127	−3	CPI Hldgs	75	+17
Holt (Jos) 25p	1003	+3	Carrol Inds.	176	.....
IoM Stm. £1	146	.....	Dublin Gas	18	.....
			Hall (R. & H.)	125	.....
IRISH			Heiton Hldgs.	43	+2
Fund 11¾% 1988	£100¼	.....	Irish Ropes	190	.....
Nat. 9¾% 84/89	£98½	.....	Unidare	440	.....

TRADITIONAL OPTIONS

3-month call rates

Industrials	p		
Allied-Lyons	40	NEI	12
Amstrad	20	Nat West Bk	65
BAT	55	P & O Dfd	65
BOC Grp	45	Plessey	22
BSR	17	Polly Peck	28
BTR	30	Racal Elect	24
Babcock	19	RHM	30
Barclays	52	Rank Org Ord	70
Beecham	50	Reed Intnl	45
Blue Circle	50	STC	30
Boots	25	Sears	15
Bowaters	50	TI	34
Brit Aerospace	55	TSB	10
Brit. Telecom	32	Tesco	55
Burton Ord	35	Thorn EMI	70
Cadburys	22	Trust Houses	24
Charter Cons.	40	Turner Newall	28
Comm Union	30	Unilever	300
Courtaulds	45	Vickers	20
FNFC	30	Wellcome	42
Gen Accident	95	**Property**	
GEC	24	Brit Land	25
Glaxo	200	Land Securities	45
Grand Met	55	MEPC	42
GUS 'A'	175	Peachey	45
Guardian	90	**Oils**	
GKN	30	Brit Petroleum	32
Hanson Tst.	15	Britoil	32
Hawker Sidd	50	Burmah Oil	45
ICI	125	Charterhall	6
Jaguar	52	Premier	11
Ladbroke	40	Shell	110
Legal & Gen	32	Tricentrol	11
Lex Service	45	Ultramar	24
Lloyds Bank	50	**Mines**	
Lucas Inds	62		
Marks & Spencer	22	Cons Gold	95
Midland Bk	55	Lonrho	26
Morgan Grenfell	35	Rio T Zinc	90

A selection of Options traded is given on the London Stock Exchange Report Page.

LONDON STOCK EXCHANGE

Account Dealing Dates

*First Dealings	Option Declarations	Last Dealings	Account Day
Jun 29	July 9	July 10	July 20
July 13	July 23	July 24	Aug 3
Jul 27	Aug 6	Aug 7	Aug 17

* New time dealings may take place from 9.00 am two business days earlier.

Further setback for share prices as Government securities suffer heavy falls

The technical setback in the UK equity market received a further downward push yesterday from a whole range of domestic and *international factors*. Shares opened lower in the face of a weak Tokyo market and the growing tensions in the Gulf, and later reacted sharply to a fall in Government bonds after the news that UK bank lending and retail sales rose strongly in June.

The equity sector tried to rally towards the close of trading but bargain hunters were restrained by the jump in yields at the longer end of the Gilt-edged range.

The FT-SE 100 index closed 28.0 down at 2,400.7, after showing a 37 point fall at mid-session. At 1,889.6, the FT Ordinary index was 27.3 down.

Selling was not heavy but buyers had clearly backed away as the City's technical analysts warned that the equity market was showing signs of being overbought, and vulnerable to a correction of perhaps 5 per cent to 10 per cent. Few sectors were spared from the setback — even consumer stocks drew only temporary respite from the retail sales news. Bank stocks gave back some of their recent gains as the market braced itself for the sector's interim reporting season, which opens this week.

Investors were clearly unsure how to read the latest developments in the Iran-Iraq situation. Success for the UN attempts to settle the conflict could weaken oil prices, and therefore sterling. But attacks on Gulf shipping could have the opposite effect.

Oil shares were easier, although Japanese funds were believed to have picked up lines of stock in the leaders. **British Petroleum** and **Shell** closed lower, as did **British Gas**. But turnover in these heavyweight stocks was modest.

The market's weakness brought hefty falls in shares offering investors substantial paper profits over the past few weeks. **Glaxo**, **Bass**, **Gus "A"** and **Fisons** were all lower for this reason.

However, insurance shares stood out against the trend, and **Imperial Chemical Industries** moved up as the rumours of an impending rights issue died away. **GEC** again moved higher as a major US house continued to buy aggressively.

The Gilt-edged market had an unhappy session, and closed with net losses of more than a point at the long end as the £3.9bn jump in June bank lending, together with surging retail sales, reawakened inflation fears.

Little retail selling was reported, however — it was left to the trading houses to back away from the UK trade figures which are due tomorrow. The jump in yields put teeth into warnings from some analysts that interest rates could be forced higher by the end of the year.

The new market for Gilts warrants opened with Salomon Bros offering warrants on Treasury 8¾ of '97. Chase Manhattan Securities follows today with warrants on Treasury 11¾ per cent 03-07.

GEC shares continued to buck the market trend and settled a further 4 up ot 251p following renewed strong buying by Chase Manhattan Securities who accounted for around 15m of the 27m shares traded yesterday.

Brian Newman, electricals analyst at Chase who upgraded their GEC profits forecast this year from £668m to £770m, said yesterday that the shares had moved through a significant chart point at 248p and were still undervalued by 20p a share.

The banks sector, extremely active over the past couple of months on news of third world debt provisions, and bid situations in the merchant banks grouping, took a breather.

In the big four clearers **Lloyds** proved a notable casualty and dropped 9 to 415p, after 405p, on selling prompted by talk that any *bid by the bank eithr for* **Morgan Grenfell** or **Standard Chartered**—moves given credence in the weekend Press—would involve issuing substantial amounts of paper, and nervousness over the interim results scheduled for Friday—when Lloyds' attitude to its third world debts will also be made known.

Other clearers dipped early on before steadying late in the session. **NatWest**, due to announce interims on July 28, settled 3 off at 780p. **Midland**, due to report on July 29, eased a shade to 643p and **Barclays**, results expected on July 30, to 644p.

TSB, whose £282m cash bid for insurance group Hogg Robinson was firmly rejected as inadequate and unacceptable by the Hogg board last week, put on 1½ more to 96½p; Hogg were 3 up at 625p, after 628 on talk of a counter bid.

Merchant banks spent their quietest trading session for a number of weeks. **Hill Samuel**, involved in bid discussions with Union Bank of Switzerland, touched 700p before settling a net 9 up at 698p, while **Schroders**, regarded as a prime bid target, were ¼ up at a record £15½. **Morgan Grenfell** closed 2 firmer on balance at 542p, having initially touched 548p on the Lloyds bid talk.

A bout of profit-taking, after the heady gains triggered by the bids for Hogg Robinson and the proposed merger between Stewart Wrightson and Willis Faber, left insurance brokers with minor falls across the board. Lifes showed **Legal and General** exceptionally weak and finally 9 lower at 340p, after 332p, as a line of around 1m shares was absorbed by the market.

In composite insurance bid speculation drove **Royal Insurance** up 27 at 587p; Kleinworts, Hoare Govett and Smith New Court were all strong buyers of the stock.

Market newcomer **Graham Motor**, the Manchester-based motor dealer placed at 140p by BZW, made a splendid debut; opening at 191p, the shares subsequently eased to 186p.

The brewery sector was badly hit—dealers said the market was upset by the latest spate of bad weather, as well as marked weakness in consumer issues.

Scottish & Newcastle edged up to 258p at the outset, following Press suggestions that Elders may launch a bid for the company, but subsequently fell away to close *3½ off at 254p on news tha it had* sold its near 5 per cent stake in Norfolk Capital Hotels at 46p a share and could now move in to bid for **Matthew Brown**; the latter were 9 up at 673p. **Guinness** lost 10 to 368p as a 2.5m parcel of shares went through at slightly below the market price. **Allied Lyons** settled 9½ lower at 456½p and **Bass** closed ¼ down at £10$\frac{3}{16}$.

Resisting the downward trend in the Building sector, **Aberdeen Construction** advanced to 295p in response to Press mention before settling 11 dearer on the day at 286p. In contrast, falls in the leaders ranging to 15 included **Blue Circle**, 535p, and **Tarmac**, 310p, while **RMC** gave up 10 to 559p. **Burnett and Hallamshire** eased 3½ to 29½p following the announcement that Barclays Bank had reduced its holding in the company to 8.18 per cent.

Hickson International featured in Chemicals, rising 42 to 808p in the wake of the company's expansion into Italy. Hickson is acquiring Sayerlack, the second largest supplier of interior wood lacquers and stains to the Italian market. Consideration for the deal is £13m cash. **Sutcliffe Speakman**, in contrast, reacted 22 to 138p despite the recovery in annual profits.

Leading store shares fell away at the outset but steadied during subsequent trading on news that provisional figures from the Government showed retail sales in June up 3.1 per cent, compared with market estimates of a 2.8 per cent rise and last month's 3.5 per cent decline.

Press suggestions that the company could be vulnerable to a bid saw **Storehouse** open harder at 310p but drift back to close a net 3 easier at 304p. Elsewhere, **Lanca** slipped 5 to 135p following the acquisition and accompanying rights issue of one-for-three at 70p to raise a net £1.47m.

Reports that **Thorn-EMI** has built up a 4.9 per cent stake in **United Scientific** saw the former retreat 17 to 781p and the latter 10 to 350p.

A drab day in the Engineering sector was featured by a jump of 65 to 508p in **Deritend** following news of the bid late last Friday from the mini-conglomerate **Carclo**. The board of Deritend along with its financial advisers strongly rejected the offer and recommended shareholders to do likewise. Carclo closed 15 higher at 853p which makes its offer worth around 487p per share.

Elsewhere in the sector, Delta held relatively steady, closing only a few pence lower at 310p following news of the proposed acquisition of the European operations of Nibco Inc, a leading US manufacturer of plumbing fittings, for a consideration of around £20m. **Babcock** advanced afresh to 285½p amid talk of expansion moves before the quotation was temporaily suspended at the level pending an announcement. Newspaper mention stimulated **Brooke Tool**, 7 to the good at 66p, and **A Lee**, 9 dearer at 110p. **GM Firth** advanced 9 to 140p in the wake of comment on the preliminary figures and the company's potential net asset value. In contrast, **Hawker**, 585p, and **GKN**, 388p, bought last week on BTR bid hopes, dipped 17 and 11 respectively.

Bejam, a weak market last Friday in the absence of the rumoured bid developments, met with a revival of speculative demand and pushed ahead to close 8 better at 270p. **Bernard Matthews**, up sharply in the previous trading session on takeover rumours, ran into selling and dipped 6 to 189p. **Corporation**, scheduled to reveal annual results on Thursday, closed a shade dearer at 250p.

Hillsdown Holdings, down 8 at 312p failed to benefit from the company's decision to increase its presence in Europe via the formation of a joint venture company, Hillsdown International BV, to be based in Rotterdam, Holland.

Among Hotels, **Norfolk Capital** met with selling and closed 3 lower at 48¼p amid talk confirmed later, that Scottish and Newcastle may have sold its near 5 per cent stake in the company.

Grand Metropolitan, down to 575p at one stage rallied to end 11 off on balance at 579p following news of the sale of a US subsidiary, Quality Care, for $120m to Lifetime Corporation.

Leading miscellaneous industrials met with a fair amount of selling pressure in the morning trading session. Among the pharmaceutical issues to give ground, **Glaxo** gave up ¼ to £18⅛, while falls of around 10 were recorded in **Fisons**, 375p, **Wellcome**, 481p.

Elsewhere, **Rank Organisation** continued to give ground in the wake of the recent interim figures and lost 9 further to 773p. Further consideration of last week's acquisition news prompted a revival of 20 to 540p in **Kenyon Securities**, while **Smith Doctus** frimed 8 to 148p in response to week-end Press mention. **Lep Group**, bought recently on property potential, met with profit-taking and recated 12 to 263p. **Dominion International** closed a penny easier at 133p following the announcement of a bid approach which may lead to an offer at close to the current market price.

Property issues, among the marget's best performers in recent months moved sharply lower in the wake of widespread profit-taking. **MEPC**, despite speculation in the weekend Press that a stake-building operation has been in progress as a prelude to a full-scale bid, fell away to close 12 off at 563p.

The annual results failed to sustain **Rush and Tompkins**, 15 easier at 326p, but speculative demand boosted **Phoenix Property** 9 to 210p.

An initial 10 cents rise in crude oil prices failed to hold and oil shares gave ground on nervous selling ahead of the UN Security Council debate on the Gulf conflict, and also in the wake of two recent bearish circulars on the sector. BP retreated to around the 400p mark, but steadied later in the session—Japanese houses were rumoured to be buyers of BP at the lower levels.

In the second liners **Goal Petroleum** rose smartly and closed 10 higher at 124p, with Kleinwort Grieveson a strong buyer, amid rumours of an imminent acquisition. **North Sea and General** added 6 at 85p following a report that the company has invited bids for its oil and gas subsidiary. **Floyd Oil** were little changed at 85p in the wake of the £12m rights issue and expansion programme.

The Irish exploration minnows attracted strong interest from speculators. **Ardmore** soared to 70p on buying fuelled by talk of oil discoveries in Turkey but later plummeted to close a net 15 down at 32p as it was revealed that control of the company had pased to **Tuskar Resources**; the latter, up to 66p at one point, slumped to end the session a net 8 firmer at 48p.

Business in traded options was much quieter. Calls totalled 30,133 and puts 10,043 for a combined total of 40,176 contracts. GEC remained in the limelight with 3,304 calls and 600 puts struck.

FINANCIAL TIMES STOCK INDICES

	July 20	July 17	July 16	July 15	July 14	Year ago	1987 High	1987 Low	Since Compilation High	Since Compilation Low
Government Secs	90.78	91.20	91.12	90.95	90.70	88.55	93.32 (8/5)	84.49 (6/1)	127.4 (9/1/35)	49.18 (3/1/75)
Fixed Interest	98.53	98.78	98.51	98.29	98.30	95.63	99.12 (15/6)	90.23 (2/1)	105.4 (28/11/47)	50.53 (3/1/75)
Ordinary ♥	1889.6	1916.9	1926.2	1908.6	1892.6	1276.3	1,926.2 (16/7)	1,320.2 (2/1)	1,926.2 (16/7/87)	49.4 (26/6/40)
Gold Mines	424.8	429.7	423.0	414.6	413.4	188.4	485.0 (14/4)	288.2 (19/2)	734.7 (15/2/83)	43.5 (26/10/71)
Ord. Div. Yield	3.04	3.01	2.99	3.02	3.05	4.31				
Earnings Yld.%(full)	7.40	7.29	7.25	7.32	7.40	10.40				
P/E Ratio (net) (*)	16.61	16.85	16.96	16.78	16.60	11.70				
SEAQ Bargains (5 pm)	57,964	57,774	61,215	61,528	54,795	—				
Equity Turnover (£m)	—	—	2272.69	2458.30	1584.11	435.55				
Equity Bargains	—	—	73,910	72,719	69,093	21,392				
Shares Traded (ml)	—	—	—	965.5	827.0	214.3				

S.E. ACTIVITY

Indices	July 17	July 16
Gilt Edged Bargains	—	166.1
Equity Bargains	—	478.9
Equity Value	—	4593.7
5-Day Average		
Gilt Edged Bargains	—	142.3
Equity Bargains	—	471.8
Equity Value	—	4131.0

♥ Opening 1897.6 | 10 a.m. 1895.5 | 11 a.m. 1893.7 | Noon 1884.0 | 1 p.m. 1883.6 | 2 p.m. 1882.6 | 3 p.m. 1883.4 | 4 p.m. 1889.5

Day's High 1898.9 Day's Low 1881.7. Basis 100 Govt. Secs 15/10/26, Fixed Int. 1928, Ordinary 1/7/35, Gold Mines 12/9/55, SE Activity 1974, *Nil=16.30.

LONDON REPORT AND LATEST SHARE INDEX: TEL. 01-246 8026

Traditional Options

- First dealings July 20
- Last dealings July 31
- Last declaration Oct 22
- For Settlement Nov 2

For rate indications see end of London Share Service

Stocks dealt in for the call included **Property Trust**, **Wheway**, **Bula Resources**, **Eagle Trust**, **Polly Peck**, **Astra Industrial**, **Amstrad**, **Stormguard**, **British Aerospace**, **Fergabrook**, **Polymark**, **Helical Bar**, **Rotaprint**, **J. Williams**, **Norfolk Capital**, **Spong**, **Dares Estates**, **Regentcrest**, **Bulgin A**, **Dinkie Heel**, **Thorn EMI**, **Abaco**, **Central and Sheerwood**, **Sheraton Securities**, **Benjamin Priest**, **William Boulton**, **Johnson and Firth Brown**, **Inoco**, **Blacks Leisure**, **Hawtin**, **Abaco**, **Astra Holdings**, **Rexmore**, **Boustead**, **GEC** and **Britoil**. Puts were arranged in **Bula Resources** and **Common Brothers**, but no double options were reported.

NEW HIGHS AND LOWS FOR 1987

NEW HIGHS (203)

BRITISH FUNDS (1), AMERICANS (16), CANADIANS (3), BANKS (6), BUILDINGS (14), CHEMICALS (5), STORES (6), ELECTRICALS (17), ENGINEERING (9), FOODS (7), HOTELS (1), INDUSTRIALS (51), INSURANCE (4), LEISURE (2), MOTORS (2), PAPERS (8), PROPERTY (6), SHIPPING (1), SHOES (1), SOUTH AFRICANS (1), TEXTILES (4), TRUSTS (19), OILS (9), OVERSEAS TRADERS (1), MINES (9).

NEW LOWS (5)

BRITISH FUNDS (1), Treas. 12pc 1987, LOANS (1), N'wide 8½pc 20.6.88, ELECTRICALS (2), Microlease, Toshiba Corp., OVERSEAS TRADERS (1), GN Great Nordic.

TRADING VOLUME IN MAJOR STOCKS

The following is based on trading volume for Alpha securities dealt through the SEAQ system yesterday until 5 pm.

Stock	Volume 000's	Closing price	Day's change	Stock	Volume 000's	Closing price	Day's change
ASDA-MFI	6,800	208	−6	Jaguar	1,100	587	−7
Allied Lyons	2,050	456½	−9½	Ladbroke	198	448	−6
Amstrad	1,900	189	−2	Legal & Gen.	2,900	340	−9
Argyll Group	896	455	−15	Lloyds Bank	1,850	415	−9
Assoc. Brit. Foods	254	406	−7	Lonrho	717	302	−4½
BAT	2,100	662	−12	MEPC	681	563	−12
BET	868	303	−5	Marks & Spencer	2,300	265	−6
BOC	1,200	539	−13	Midland Bank	1,800	643	−1
BPB Inds	151	856	−14	NatWest Bank	1,100	780	−3
BPCC	803	524	+1	Next	950	345	−8
BTR	1,300	349	−3	Pearson	250	759	−4
Barclays	694	644	−1	P & O	192	769	−5
Bass	231	£10$\frac{3}{16}$	−¼	Pilkington Bros	536	£10¼	−¼
Beecham	1,300	581	−6	Plessey	4,500	219	−6
Blue Circle	438	535	−15	Prudential	215	£10⅝	−⅛
Boots	3,600	304	−10	Racal	896	284	−2
Brit. Airways	4,900	166		Rank Org	730	773	−9
Brit. Aero	2,215	535	+11	RHM	381	342	−1
Brit. & Comm.	1,400	558	−9	Reckitt & Col	33	£11¼	−¼
British Gas	5,500	189	−4	Redland	47	558	−6
Britoil	4,100	325	−12	Reed Intl.	799	549	−5
BP	8,200	402	−5½	Reuters	642	895	−5
Brit. Telecom	2,550	288	−6	RMC	148	559	−10
Bunzl	1,300	254	−4	RTZ	450	£12⅛	
Burton	1,700	335	+1	Rolls-Royce	3,300	123	−1
Cable & Wire	695	407	−4	Rowntree	458	573	−8
Cadbury Schwps	1,400	281	−4	Ryl Bank Scotland	1,200	430	+9
Coats Viyella	330	349	−6	Royal Insurance	3,300	587	+27
Comm. Union	4,900	387	+11	STC	6,500	311	−10
Cons. Gold	689	£12⅛	−¼	Saatchi & Saatchi	228	676	−5
Cookson	365	771	−14	Sainsbury	226	282	−1
Courtaulds	477	506	−6	Scott & Newcastle	1,900	254	−3½
Dee Corpn	1,700	250	+1	Sears	4,300	175	
Dixons Group	1,200	378	−4	Sedgwick	566	322	−6
English China Clays	229	525	−2	Shell Trans	1,300	£14⅛	−⅛
Fisons	1,000	375	−14	Smith & Nephew	1,000	188	−3½
Gen. Accident	107	£11¼	−⅛	Standard Chart	818	810	−2
Gen. Elect	22,000	251	+4	Storehouse	2,600	304	−3
Glaxo	1,300	£18⅛	−¼	Sun Alliance	212	£10½	
Globe Investment	71	194	−1	TSB	6,300	96½	+1½
Granada	1,500	361	+2	Tarmac	1,100	310	−14
Grand Met	1,900	579	−11	Tesco	885	197	
GUS "A"	126	£14⅞	−⅛	Thorn EMI	1,600	781	−17
Guardian R.E.	405	£11⅞	+⅛	Trafalgar House	508	428	−2
GKN	1,800	388	−11	T'house Forte	1,300	269	−7
Guinness	4,900	368	−10	Unigate	590	424	−13
Hammerson	196	625	−15	Unilever	1,100	697	−7
Hanson Trust	2,700	188	−2	United Biscuits	723	348	−4
Hawker Sidd	803	585	−17	Wellcome	560	481	−9
Hillsdown Hldgs	1,500	312	−8	Whitbread "A"	275	360	−8
ICI	844	£15⅛		Woolworth	1,200	409	−8

RISES AND FALLS YESTERDAY

	Rises	Falls	Same
British Funds	11	98	4
Corporations, Dominion and Foreign Bonds	3	17	39
Industrials	362	745	456
Financial and Properties	105	266	228
Oils	33	38	43
Plantations	0	3	11
Mines	54	62	74
Others	124	54	85
Totals	692	1,283	940

FT-ACTUARIES INDICES

These Indices are the joint compilation of the Financial Times, the Institute of Actuaries and the Faculty of Actuaries

EQUITY GROUPS & SUB-SECTIONS — Figures in parentheses show number of stocks per section

		Monday July 20 1987 Index No.	Day's Change %	Est. Earnings Yield% (Max.)	Gross Div. Yield% (ACT at 27%)	Est. P/E Ratio (Net)	xd adj. 1987 to date	Fri July 17 Index No.	Thurs July 16 Index No.	Wed July 15 Index No.	Year ago (approx.) Index No.
1	CAPITAL GOODS (212)	1027.14	−1.0	6.67	2.65	18.75	11.21	1037.12	1038.07	1032.27	700.26
2	Building Materials (30)	1336.15	−2.0	6.66	2.57	18.72	15.55	1363.61	1381.08	1368.34	798.64
3	Contracting, Construction (33)	1922.22	−1.0	6.23	2.50	21.54	19.38	1941.30	1951.50	1946.74	1221.78
4	Electricals (12)	2733.45	+0.1	5.44	2.84	23.70	36.50	2730.81	2706.42	2695.90	1823.11
5	Electronics (35)	2231.37	−0.2	6.79	2.20	18.85	15.26	2236.70	2205.81	2183.52	1576.23
6	Mechanical Engineering (60)	538.42	−0.6	7.50	3.14	16.74	7.80	541.74	541.14	540.98	390.83
8	Metals and Metal Forming (7)	580.38	−0.9	6.75	2.71	17.85	6.86	585.70	588.17	589.02	334.35
9	Motors (14)	399.70	−1.6	7.64	2.66	15.21	3.42	406.20	406.20	401.65	289.28
10	Other Industrial Materials (21)	1682.60	−1.0	5.74	2.88	21.00	22.53	1699.54	1712.49	1708.64	1251.04
21	CONSUMER GROUP (184)	1381.41	−1.4	5.73	2.45	22.38	14.33	1401.23	1406.32	1395.05	890.03
22	Brewers and Distillers (22)	1240.85	−2.0	7.56	2.87	16.64	11.77	1265.93	1269.35	1262.74	890.01
25	Food Manufacturing (24)	1075.84	−1.2	6.53	2.84	19.89	15.12	1089.31	1092.25	1090.46	662.67
26	Food Retailing (16)	2589.08	−0.9	5.03	2.24	27.07	21.16	2612.79	2649.96	2622.00	1789.34
27	Health and Household Goods (10)	2648.58	−1.6	3.82	1.51	30.63	15.11	2691.83	2699.85	2661.81	1508.06
29	Leisure (31)	1454.66	−1.4	5.68	2.99	22.81	20.36	1475.66	1480.59	1464.79	880.13
31	Packaging & Paper (15)	726.79	−1.4	5.62	2.37	23.53	7.88	736.97	739.48	735.88	470.09
32	Publishing & Printing (14)	4540.69	−0.5	4.69	3.06	27.44	59.63	4564.69	4564.47	4516.75	2502.96
34	Stores (36)	1141.54	−1.5	6.24	2.50	21.78	12.81	1159.33	1157.89	1145.98	845.34
35	Textiles (16)	839.47	−1.4	7.41	2.67	15.67	11.71	851.74	864.21	876.07	533.59
40	OTHER GROUPS (87)	1169.45	−1.2	7.38	2.98	16.91	11.06	1183.16	1192.30	1185.52	750.56
41	Agencies (16)	1782.48	−0.7	3.71	1.34	35.51	9.76	1795.57	1785.00	1786.84	0.0
42	Chemicals (22)	1453.40	−0.5	6.77	3.03	18.11	19.79	1461.02	1471.02	1458.23	913.71
43	Conglomerates (12)	1515.83	−0.9	7.01	3.04	16.36	18.93	1530.12	1546.12	1536.22	0.0
45	Shipping and Transport (11)	2473.95	−0.6	6.32	3.25	20.88	37.76	2487.95	2497.85	2451.74	1461.05
47	Telephone Networks (2)	1121.68	−1.8	8.96	3.60	14.88	2.95	1142.66	1164.15	1159.41	776.71
48	Miscellaneous (24)	1688.31	−1.6	8.33	2.63	14.40	18.61	1715.19	1711.29	1709.08	1022.08
49	INDUSTRIAL GROUP (483)	1248.27	−1.2	6.42	2.65	19.68	12.80	1263.79	1268.86	1260.28	815.42
51	Oil & Gas (17)	2398.95	−2.1	4.56	3.85	28.38	37.29	2451.05	2458.68	2429.74	1197.04
59	500 SHARE INDEX (500)	1345.96	−1.4	6.14	2.83	20.65	14.94	1364.59	1369.88	1359.57	849.01
61	FINANCIAL GROUP (119)	878.07	−0.4	—	3.35	—	13.48	881.85	882.11	868.44	600.93
62	Banks (8)	893.67	−0.3	15.49	4.19	8.53	16.24	896.02	898.38	878.89	644.77
65	Insurance (Life) (9)	1167.28	−1.2	—	3.61	—	20.71	1181.01	1190.53	1165.24	849.90
66	Insurance (Composite) (7)	664.97	+2.0	—	3.68	—	11.76	652.05	647.13	646.80	488.74
67	Insurance (Brokers) (9)	1383.80	−1.1	7.78	3.91	16.57	26.32	1399.56	1365.34	1345.91	1166.26
68	Merchant Banks (11)	505.57	+0.1	—	2.67	—	6.88	504.96	489.75	490.54	335.70
69	Property (47)	1332.92	−1.9	3.56	2.21	36.34	12.06	1358.44	1374.86	1353.66	783.87
70	Other Financial (28)	600.67	−0.4	5.54	2.69	22.72	7.17	603.19	603.48	589.67	339.91
71	Investment Trusts (92)	1136.52	−1.0	—	2.11	—	11.12	1147.90	1149.12	1143.59	747.30
81	Mining Finance (2)	613.75	−0.2	5.50	2.71	20.88	6.79	615.00	622.46	608.23	245.43
91	Overseas Traders (10)	1184.76	−1.0	7.62	3.97	15.57	23.27	1197.23	1197.17	1173.54	653.54
99	ALL-SHARE INDEX (722)	1219.82	−1.2	—	2.89	—	14.37	1234.49	1238.57	1227.45	775.58

	Index No.	Day's Change	Day's High	Day's Low	July 17	July 16	July 15	July 14	July 13	Year ago
FT-SE 100 SHARE INDEX ♦	2400.7	−28.0	2410.7	2390.8	2428.7	2443.4	2419.2	2403.0	2386.6	1560.2

FIXED INTEREST

PRICE INDICES (Mon July 20; Day's change %; Fri July 17; xd adj. today; xd adj. 1987 to date) and AVERAGE GROSS REDEMPTION YIELDS (Mon July 20; Fri July 17; Year ago (approx.))

	British Government	Mon July 20	Fri July 17	Year ago (approx.)
1	Low Coupons 5 years	8.01	8.07	8.27
2	15 years	8.98	8.84	9.31
3	25 years	9.00	8.85	9.34

[illegible]

♦Opening index 2410.3; 10 am 2405.9; 11 am 2404.4; Noon 2394.2; 1 pm 2394.0; 2 pm 2392.4; 3 pm 2393.0; 3.30 pm 2397.1; 4 pm 2399.2

† Flat yield. Highs and lows record, base dates, values and constituent changes are published in Saturday issues. A new list of constituents is available from the Publishers, the Financial Times, Bracken House, Cannon Street, London EC4P 4BY, price 15p, by post 32p.

CONSTITUENT CHANGES: Associated Book Publishers (32) has been deleted. Ryan International (48) and St Mowden Properties (69) have both been inserted.

LONDON TRADED OPTIONS

Option		Calls July	Calls Oct.	Calls Jan.	Puts July	Puts Oct.	Puts Jan.
Allied Lyons (*458)	390	70	82	92	0¼	2	6
	420	40	57	70	1	10	15
	460	5	30	45	7	25	30

Option		Calls Aug.	Calls Nov.	Calls Feb.	Puts Aug.	Puts Nov.	Puts Feb.
Guinness (*369)	330	42	55	67	3	10	17
	360	22	40	48	10	20	27
	390	6	25	35	27	35	43

[illegible]

July 20. Total Contracts 40,176. Calls 30,133. Puts 10,043. FT-SE Index Calls 843. Puts 1,622. *Underlying security price.

LONDON RECENT ISSUES

EQUITIES

[illegible]

FIXED INTEREST STOCKS

[illegible]

"RIGHTS" OFFERS

[illegible]

WORLD STOCK MARKETS

AUSTRIA

[illegible]

BELGIUM/LUXEMBOURG

[illegible]

DENMARK

[illegible]

FINLAND

[illegible]

FRANCE

[illegible]

GERMANY

[illegible]

ITALY

[illegible]

NETHERLANDS

[illegible]

NORWAY

[illegible]

SPAIN

[illegible]

SWEDEN

[illegible]

SWITZERLAND

[illegible]

AUSTRALIA

[illegible]

AUSTRALIA (Continued)

[illegible]

HONG KONG

[illegible]

JAPAN

[illegible]

JAPAN (Continued)

[illegible]

SINGAPORE

[illegible]

SOUTH AFRICA

[illegible]

NOTES — Prices on this page are as quoted on the individual exchanges and are last traded prices. § Dealings suspended. xd Ex dividend. xc Ex scrip issue. xr Ex rights. xa Ex all. * Price in Kroner.

CANADA

TORONTO
Closing prices July 20

[illegible]

MONTREAL
Closing prices July 20

[illegible]

Indices

NEW YORK — DOW JONES

[illegible]

STANDARD AND POORS

[illegible]

N.Y.S.E. ALL COMMON

176.88	176.87	175.78	174.58	178.77 (22/8)	141.81 (21/1)	

RISES AND FALLS

Issues traded	1,981	1,962	1,948
Rises	983	892	726
Falls	650	626	759
Unchanged	428	444	463

TORONTO

	July 20	July 17	July 16	July 15	1987 High	1987 Low
Metals & Minls	3,218.8	3,261.98	3,264.4	3,228.54	3,284.48 (16/7/87)	1,988.2 (2/1/86)
Composite	3,976.8	3,984.48	3,988.1	3,877.4	3,998.10 (16/7/87)	3,067.8 (2/1/86)
MONTREAL Portfolio	2,807.76	2,212.61	2,224.77	2,814.13	2,224.77 (16/7/87)	1,534.3 (2/1/85)

* Indicates pre-close figure

Other indices

[illegible]

SOUTH AFRICA JSE Gold (28/9/78)	(u)	2279.0	2278.0	2267.0	2308.0 (27/4)	1786.0 (19/3)
JSE Indust (28/9/78)	(u)	2071.0	2056.0	2040.0	2071.0 (20/7)	1423.0 (2/1)
SPAIN Madrid SE (30/12/85)	264.39	260.37	256.93	255.74	264.39 (20/7)	202.89 (8/5)
SWEDEN Jacobson & P. (31/12/56)	2867.80	2885.50	2874.80	2865.20	2885.50 (17/7)	2111.39 (26/1)
SWITZERLAND Swiss Bank Co. (31/12/58)	650.6	645.2	634.1	632.50	650.6 (20/7)	564.5 (25/2)
WORLD M.S. Capital Intl. (1/1/70)	(—)	461.5	464.40	462.3	480.30 (12/6)	361.3 (2/1)

**Saturday July 18: Nikkei Index: Closed.

Base values of all indices are 100 except Brussels SE—1,000 JSE Gold—255.7 JSE Industrials—264.3 and Australia. All Ordinary and Metals—500; NYSE All Common—50; Standard and Poor's—10; and Toronto Composite and Metals—1000. Toronto indices based 1975 and Montreal Portfolio 4/1/83. † Excluding bonds. ‡ 400 Industrials plus 40 Utilities. 40 Financials and 20 transports. (c) Closed. (u) Unavailable.

NEW YORK ACTIVE STOCKS

Friday	Stocks traded	Closing price	Change on day	Friday	Stocks traded	Closing price	Change on day
ATT	4,712,100	31⅝	−⅛	Varity	2,396,500	2⅝	+⅛
USX	3,087,300	38¾	+1⅛	Banctexas	2,210,800	11/128	—
Wstn. Co. Na.	2,876,500	3½	+⅛	Idaho Pwr.	2,205,300	23½	−⅛
Coca Cola	2,791,400	47	+2	Nabsco RJR	2,045,200	57¼	+1¼
Pan Am Corp.	2,412,000	5	−½	Kenner Pkr.	2,037,700	45⅞	+5½

LONDON — Most Active Stocks
Monday, July 20, 1987

	Stocks Traded	Closing Price	Change on Day		Stocks Traded	Closing Price	Change on Day
Gen Elect	22.08m	251	+ 4	Brit Gas	5.58m	189	− 4
BP	8.20m	482	− 5½	Comm Union	4.90m	387	+11
ASDA-MFI	6.80m	208	− 6	Brit Airways	4.80m	166	unch
STC	6.50m	311	−10	Guinness	4.90m	368	−10
TSB	6.38m	96½	+ 1½	Plessey	4.50m	219	− 6

TOKYO — Most Active Stocks
Monday, July 20, 1987

	Stocks Traded	Closing Prices	Change on Day		Stocks Traded	Closing Prices	Change on Day
Nippon Steel	19.63m	380	−11	Konishiroku Photo	6.15m	859	+24
Matsushita Elec Ind.	16.45m	2,400	+30	Tokyo Gas	6.14m	989	−41
Sharp	8.32m	1,240	−10	NTN Tokyo Bearing	5.76m	807	+22
Toshiba	6.60m	606	−14	Fujitsu	4.80m	1,130	+10
Hitachi	8.45m	1,130	+20	Japan Line	4.71m	223	− 7

LONDON
Chief price changes (in pence unless otherwise indicated)

RISES:					
Aberdeen Constr.	286	+11	Goal Petrol.	124	+10
Arlen Elec.	240	+14	Hickson Intl.	808	+42
Babcock Intl.	285½	+24	Lee (Arthur)	110	+ 9
Deritend	508	+65	Menvier-Swain	246	+ 8
			Nrth Sea & Gen	85	+ 6
Phoenix Prop.	210	+ 9			
Royal Ins.	587	+27			
Smith Doctus	148	+ 8			
Tuskar Res.	48	+ 8			

FALLS:					
Tr. 12½pc 2003-05	£127⅝	−1⅛	Brit Telecom	288	− 6
Exch. 12pc 2013-17	£129⅝	−1¹⁵⁄₃₂	Glentree	370	−20
Ard. Petroleum	32	−15	Land Secs.	563	−13
Brit. Land	314	−11	Legal & Gen	340	− 9
			Plessey	219	− 6
			STC	311	−10
			Sutcl. Spkman	138	−22
			Thorn EMI	781	−17
			Utd. Scientific	350	−10

OVER-THE-COUNTER *Nasdaq national market, closing prices*

Continued from Page 43

[illegible]

N. AMERICAN QUARTERLY RESULTS

Continued from Page 23

OLIN
Chemicals, ammunition, metals

Second quarter	1987 $	1986 $
Revenue	485.9m	443m
Net profits	22.3m	†31.6m
Net per share	0.95	†1.38
Six months		
Revenue	958.6m	904.5m
Net profits	46.7m	†58.4m
Net per share	2.00	†2.58

† Includes 74 cents a share gain from land sales

PENN CENTRAL
Electronics, telecoms

Second quarter	1987 $	1986 $
Revenue	338.5m	462.5m
Net profits	13.3m	†34.1m
Net per share	0.34	†0.84
Six months		
Revenue	658.4m	979.5m
Net profits	27.3m	†59.5m
Net per share	0.70	†1.47

† Includes $27.4m from asset sales and pension changes

POLAROID
Instant photography

Second quarter	1987 $	1986 $
Revenue	448.2m	396.4m
Net profits	27.3m	24.2m
Net per share	0.44	0.39
Six months		
Revenue	829.3m	722.4m
Net profits	51.9m	40.3m
Net per share	0.84	0.65

RALSTON PURINA
Food, feed producer

Second quarter	1987 $	1986 $
Revenue	1.4bn	1.26bn
Net profits	55.7m	62m
Net per share	0.76	0.82

SOCAL EDISON
Utility

Second quarter	1987 $	1986 $
Revenue	1.33bn	1.21bn
Net profits	129.8m	194.1m
Net per share	0.86	0.83
Six months		
Revenue	2.62bn	2.45bn
Net profits	361.5m	392.9m
Net per share	1.63	1.67

SOUTHWESTERN BELL
Telecommunications

Second quarter	1987 $	1986 $
Revenue	1.89bn	2.01bn
Net profits	245.8m	279.2m
Net per share	0.83	0.93
Six months		
Revenue	3.76bn	3.92bn
Net profits	486.5m	525.3m
Net per share	1.62	1.76

TEKTRONIX
Electronic measuring eqpt.

Second quarter	1987 $	1986 $
Revenue	355.3m	342.8m
Net profits	460,000	7.5m
Net per share	0.02	0.20
Twelve months		
Revenue	1.4bn	1.35bn
Net profits	51.2m	39.3m
Net per share	1.33	0.98

TEXACO CANADA
Energy

Second quarter	1987 C$	1986 C$
Revenue	684m	680m
Net profits	69m	54m
Net per share	0.57	0.44
Six months		
Revenue	1.36bn	1.54bn
Net profits	142m	138m
Net per share	1.18	1.14

UNION CAMP
Pulp and paper

Second quarter	1987 $	1986 $
Revenue	577.6m	499.4m
Net profits	47.8m	28.6m
Net per share	0.65	0.38
Six months		
Revenue	1.11bn	994.4m
Net profits	82m	50.6m
Net per share	1.25	0.69

WHEELING-PITTSBURGH STEEL*
Steel

Second quarter	1987 $	1986 $
Revenue	258.8m	245.3m
Net profits	39.3m	†60.3m
Net per share	7.25	†12.21
Six months		
Revenue	513.8m	465
Net profits	73.3m	†56.3m
Net per share	13.45	†11.85

*Company in Chapter 11; † Loss

NEW YORK STOCK EXCHANGE COMPOSITE CLOSING PRICES

12 Month High	12 Month Low	Stock	Div.	Yld.	P/E	Sls 100s	High	Low	Close Quote	Ch'ge Prev. Close
35	20 1/8	AAR s	.50	1.5	22	51	33 3/4	33 1/4	33 1/4	-1/4
37	22	ADT	.92	2.7	19	332	33 5/8	32 7/8	33 5/8	+3/4
30	16 3/4	AFG s	.16	.5	11	578	29 7/8	28	29 3/4	+3/8
22 3/8	8 5/8	AGS s			18	207	17 3/8	17	17 3/8	
11 1/2	6 3/4	AMCA				49	10 1/8	9 7/8	9 7/8	-1/8
9 3/8	4 7/8	AM Intl				520	7 1/4	7	7	-1/4
62 7/8	47 1/2	AMR			15	1238	60 7/8	60 5/8	60 3/4	-1/8
27 1/2	24 7/8	ANR pf 2.67		10.		1	26	26	26	-1/2
11 3/4	8	ARX s			12	348	10 5/8	10 1/2	10 5/8	+3/8
73 1/2	30 3/8	ASA	2a	3.2		326	62	61	62	+3/4
20	9 3/4	AVX		1.9	86	85	17 3/4	17 1/4	17 1/4	-3/8
67	41	AbtLab	1	1.6	25	3730	63 7/8	62 1/2	62 1/2	-1 1/2
26	24 3/4	Abitibi g				16	24 3/4	d24 5/8	24 5/8	-1/8
28 3/4	16 5/8	AccoW s .44		1.5	26	3133	28 3/4	28 1/2	28 5/8	+1/8
15 1/8	9	AcmeC .40		2.8	10	137	14 1/2	14 1/4	14 1/2	+1/4
8 3/8	6 1/8	AcmeE .32b		4.0	31	8	8	7 7/8	8	+1/8
23 7/8	19	AdaEx 3.42e		15.		138	22 3/4	22 5/8	22 5/8	+1/8
18 1/2	11 3/8	AdmM s .24		1.6	11	71	14 7/8	14 1/2	14 5/8	-1/8
25 1/8	12 1/8	AdvSys .62t		2.5	18	129	24 7/8	24 5/8	24 5/8	-1/8
24 1/2	12 7/8	AMD				3456	17 7/8	17 1/8	17 5/8	
54 3/4	47	AMD pf	3	6.2		209	48 3/8	48	48 3/8	
10 3/4	5 1/4	Adobe				104	10 3/4	10 1/8	10 1/8	-1/2
20 1/2	13 3/4	Adob pf 1.84		9.7		x5	19	18 3/4	19	+1/4
21 7/8	16 3/8	Adob pf 2.40		11.		x8	21 1/4	21 1/8	21 1/4	+3/8
15 5/8	10 3/8	Advest .12a		1.0	8	204	12 3/8	12 1/8	12 1/8	-1/8
68 1/4	53	AetnLf 2.76		4.7	9	2074	59 5/8	59 1/4	59 1/4	-3/8
66	26 1/2	AfilPb s .32		.5	35	309	u68 3/4	65 1/4	67 5/8	+1 5/8
28 3/8	18 5/8	Ahmans .88		4.3	6	3343	21 1/4	20 3/8	20 1/2	-1/2
5 3/8	2 7/8	Aileen				66	3 7/8	3 3/4	3 3/4	-1/8

Continued on Page 43

هكذا من الأصل

NYSE COMPOSITE CLOSING PRICES

Continued from Page 42

12 Month High	Low	Stock	Div.	Yld.	P/E	Sls 100s	High	Low	Close Quote	Ch'ge Prev. Close
[illegible]										

X Y Z

12 Month High	Low	Stock	Div.	Yld.	P/E	Sls 100s	High	Low	Close Quote	Ch'ge Prev. Close
24¾	16	Wynns	.60	3.2	14	43	19⅛	18⅝	18⅞	−⅛
81¼	48⅝	Xerox	3	3.9	16	8291	76⅞	75⅝	76	−½
58¼	54¼	Xerox pf5.45		9.8		43	55½	55¼	55⅜	−⅛
28⅞	21½	XTRA	.64	2.3		48	28⅝	27¾	27¾	−½
27⅞	15	Yorkin			19	414	27¾	26¾	27	−⅝
7¼	2¼	Zapata				1536	7	6¾	6¾	−⅛
36¾	20¾	Zayre	.40	1.4	15	6203	29½	28¾	29½	+⅜
14⅝	9¾	Zemex	.40	3.1	8	9	13	13	13	−¼
29¼	18⅞	ZenithE				1359	27⅛	26¾	27	
13½	8	ZenLab				819	9⅞	9⅝	9⅝	+⅛
19½	12⅝	Zero	.36	2.1	17	550	17⅛	16¾	16⅞	−½
28½	16⅝	Zurnin s			19	254	27¾	27¼	27¼	−⅛
10⅝	8¼	Zweig n.65e		6.4		890	10⅛	9⅞	10⅛	+⅛

Sales figures are unofficial. Yearly highs and lows reflect the previous 52 weeks plus the current week, but not the latest trading day. Where a split or stock dividend amounting to 25 per cent or more has been paid, the year's high-low range and dividend are shown for the new stock only. Unless otherwise noted, rates of dividends are annual disbursements based on the latest declaration.

a-dividend also extra(s). b-annual rate of dividend plus stock dividend. c-liquidating dividend. cld-called. d-new yearly low. e-dividend declared or paid in preceding 12 months. g-dividend in Canadian funds, subject to 15% non-residence tax. i-dividend declared after split-up or stock dividend. j-dividend paid this year, omitted, deferred, or no action taken at latest dividend meeting. k-dividend declared or paid this year, an accumulative issue with dividends in arrears. n-new issue in the past 52 weeks. The high-low range begins with the start of trading. nd-next day delivery. P/E-price-earnings ratio. r-dividend declared or paid in preceding 12 months, plus stock dividend. s-stock split. Dividends begin with date of split. sls – sales. t-dividend paid in stock in preceding 12 months, estimated cash value on ex-dividend or ex-distribution date. u-new yearly high. v-trading halted. vi-in bankruptcy or receivership or being reorganised under the Bankruptcy Act, or securities assumed by such companies. wd-distributed. wi-when issued. ww-with warrants. x-ex-divident or ex-rights. xdis-ex-distribution. xw-without warrants. y-ex-dividend and sales in full. yld-yield. z-sales in full.

AMEX COMPOSITE CLOSING PRICES

Stock	Div.	P/E	Sls 100s	High	Low	Close	Chng
[illegible]							

OVER-THE-COUNTER

Nasdaq national market, closing prices

Stock	Sales (Hnds)	High	Low	Last	Chng
[illegible]					

WE REGRET that this listing is incomplete due to communication problems.

Continued on Page 41

FINANCIAL TIMES

WORLD STOCK MARKETS

AMERICA

Optimism over profits cushions downward slide

WALL STREET

UNDER PRESSURE from profit-taking and weak bonds and dollars, Wall Street stock prices pulled back from record levels yesterday, *writes Roderick Oram in New York.*

Bond prices were about half a point lower, mainly because of the slight slip in the US currency. Most investors stayed on the sidelines because important news and data are due later in the week.

The Dow Jones industrial average closed down 22.32 points at 2,487.72, near its lowest point of the session. Broader market indices performed similarly with the Standard & Poor's 500 losing 3.20 to 311.39 and the New York Stock Exchange composite index falling 1.58 to 175.09.

NYSE volume was moderate at 168.2m shares with the number of issues declining outnumbering those advancing by a hefty two-to-one margin.

Texaco slipped $1/8 to $45 after Pennzoil, off $7/8 to $79, filed a bankruptcy plan for Texaco under which the oil group would pay Pennzoil $4.1bn to settle their protracted lawsuit.

The second most active NYSE issue was Cincinnati Gas & Electric which edged down $1/8 to $27 1/4 on more than 8.6m. The stock, which begins trading ex-dividend today, is yielding 8 per cent, a high rate compared with the market at large.

Among the earnings reported yesterday were good performances from the computer sector although stock prices did not always reflect higher profits. Unisys fell $1 to $128 3/4 and Lotus Development slipped $1/2 to $29 3/4 while Wang rose $1/2 to $17 3/8. Maxtor, a disk drive manufacturer, fell $2 3/4 to $14 3/4 on sharply lower profits.

Several chemical stocks also turned in sharply higher profits. Dow put on $1 1/4 to $87 3/4 and American Cyanamid rose $1/8 to $52 1/8.

Polaroid fell $2 1/4 to $32 1/4 after its modest increase in profits came in at the bottom end of analysts' forecasts.

Among other companies reporting strong earnings growth, Warner Communications added $1/2 to $35 3/4, SmithKline Beckman rose $1/4 to $66 1/2 and Eaton gained $1/8 to $97 1/8.

In the takeover arena, Textron added $1 3/8 to $38 1/8. It has become the latest defence contractor to come under the threat of a takeover. In Textron's case Ford Motor, down $1 1/8 to $106 1/2, was rumoured to be the suitor.

Phillips-Van Heusen, down $1/8 to $24 7/8, rejected a $22-a-share takeover offer from Rosewood Financial saying it was inadequate. The clothing manufacturer and retailer instructed its advisers, Shearson Lehman Brothers, to propose financial alternatives.

Credit markets opened weaker following losses abroad overnight and a slightly weaker dollar. The benchmark 8.75 per cent Treasury long bond was off 13/32 of a point at 101 7/16 yielding 8.61 per cent by late afternoon.

Short-term rates eased after the cancellation of the Treasury's weekly auction had made T-bills somewhat scarce. The bond equivalent yield on three-month bills slipped one basis point to 5.69 per cent.

The Treasury had to cancel the auction because Congress has yet to raise the federal Government's debt ceiling. Analysts forecast the Government has enough money to last until around July 30 without selling more securities.

Retail interest in bonds was light yesterday with most investors taking a cautious stance ahead of a busy week of news and data. Mr Paul Volcker, the retiring Federal Reserve Board chairman, will give Congress today the Fed's semi-annual forecasts. Mr Alan Greenspan, his nominated successor, is expected to shed light on his economic views when his confirmation hearings begin today on Capitol Hill.

CANADA

WALL STREET'S easier opening prompted a broad decline in Toronto share prices.

Miners and metals fell back after having led last week's gains. Inco was off C$1/4 at C$26 5/8, Noranda C$1/4 at C$34 and Falconbridge C$1/4 at C$26 3/8. Cominco reached a settlement with a key group of striking lead and zinc workers and rose C$1/8 to C$20 1/4.

Nova Alberta class A was steady at C$10 1/4. It said first-half net profit had improved due to better performance in its polyethylene and manufacturing businesses.

Montreal eased slightly. Vancouver edged higher.

SOUTH AFRICA

A STEADY rise in golds as they shadowed bullion prices led Johannesburg share prices further into uncharted territory. The overall market index added 5 to 2,534 and the industrial index 8 to 2,079, both records.

Vaal Reefs and Randfontein led firmer golds, adding R8 and R7 respectively to R483 and R437. Freegold was 50 cents higher at R59

Other miners followed golds, but diamond stock De Beers stayed at R46.25.

Chemicals stocks AECI featured among the slightly firmer industrials with a 25-cent rise to R16.75. It will release what are expected to be strong first-half results on Thursday.

Industrial and mining issue Messina fell 80 cents to R12.50. The fall ended a surge which has seen it rise from R2.50 at the start of the year.

Stockholm to enter deathly hush of high-tech era

BY THE END of next year, Stockholm's graceful stock exchange could be as quiet as a morgue with the normally bustling brokers silenced by a new automated trading system.

Like its Nordic neighbours, Sweden has decided to move with the times and adopt a fully automated trading system which, political powers willing, could even open the door to round-the-clock trading and closer co-operation with the other Nordic exchanges.

The Stockholm Stock Exchange has agreed to buy a fully automated trading system – known as Stockholm Automated Exchange or Sax – for SKr 17m ($2.7m). Tandem Computers will supply and install the computers and help to tailor the system to the exchange's needs, while Ericsson Information Systems is expected to provide its Eripax network for linking up the computers for an estimated SKr 5m.

"We need a really good network between the stock exchange and the brokerages so you can literally sit anywhere in Stockholm and still have trading," says Mr Jarl Hellberg, head of information technology at the exchange.

The system is due to start operating by the end of 1988, and over the next few months representatives of the exchange and brokerages will work on the finer details of how the system should work.

With the installation of the new system, in theory brokers would have no need for the exchange: the bids and volumes would be entered in the system and the trades matched up in the computer.

Mr Hellberg says the exchange opted for a system which could cope with increasing volumes and other forms of information. Moreover, the Swedes are not complete strangers as far as the Tandem system goes since it is already used by one of the options markets.

The system can handle 10 trades per second, which is above the current requirement since the Stockholm stock exchange conducts on average 3,000 to 4,000 trades per day.

At the moment, 10 per cent of trading is done on the call-over when the market opens and prices for the main shares are read out. About 45 per cent of trading is done on the floor in the continuous market, while the remaining 45 per cent is done outside the exchange.

The exchange's existing computer system is used as a quotation system with prices fed in by brokers while much of the actual "bargaining" is conducted on the stock exchange floor between brokers.

The existing system is not compatible with those of the other Nordic exchanges. Copenhagen, Oslo and Helsinki have all chosen to use the Tandem system and Copenhagen is due to start with it this autumn.

One of the points in favour of the Tandem system was that it could eventually enable Stockholm to link up with the other Nordic exchanges and create one large trading system, a move which is quite strongly favoured in broking circles even though there are at present certain restrictions on Swedes buying foreign shares. Nevertheless, if the political moves are made, the exchange should be prepared.

On a more international scale, the new system could open the way to 24-hour trading, although that idea has been greeted with less enthusiasm. Certain Swedish shares can already be traded around the clock because they are listed on the main global exchanges.

As for the brokers, they would prefer not to vacate the exchange floor completely. Aesthetic reasons aside, they say they want to keep it for the bigger and more complicated deals.

Sara Webb

EUROPE

Financials lead field as foreigners re-enter hunt

FINANCIALS led the advance in key European bourses yesterday as the unexpected firmness of the dollar drew in foreign investors and sparked a buying spree.

Meanwhile the smaller bourses of Oslo and Madrid pushed further into record territory on interest-rate factors.

Frankfurt sustained the upward momentum from Friday as turnover swelled and prices rose in response to the dollar's climb above DM 1.86, its highest level for five months.

Buying enthusiasm from both local and overseas investors was also boosted by Wall Street's gains, the weak Tokyo market and the rise in oil prices.

The Commerzbank index added 9.2 to 1,969.9.

The financial sector, which is likely to gain from the market's upturn as commission income rises, headed the day's gains. Deutsche Bank put on DM 9 to DM 673, Dresdner rose DM 4.20 to DM 347 and insurer Allianz advanced DM 20 to DM 1,990.

Siemens, which said Canon would be marketing its Saturn data and voice transmission systems in Japan under a three-year agreement, rose DM 3.60 to DM 691.40. AEG picked up DM 6.20 to DM 320 amid speculation that Daimler Benz, its majority owner, may increase its 56 per cent stake.

Preussag, the diversified metals and energy group, climbed DM 7.50 to DM 198, just DM 2 off its 1987 peak, while utility RWE was up DM 4 at DM 241 on its plans to use a cheaper method than planned ro reduce nitric waste.

Cars were mixed. Daimler was up DM 4 at DM 1,174 despite having to recall some 86,000 cars for a brake-light fuse alteration. VW lost DM 1.20 to DM 410.80 amid continuing rumours, denied last week, that it would move to part-time working at some plants.

Bonds fell sharply as the dollar rose, with longs finishing up to DM 1 lower in fairly thin trading. The Bundesbank bought DM 184.1m worth of paper after buying DM 92.5m on Friday.

London setback

A TECHNICAL setback in the UK equity market was compounded by a range of domestic and international factors. Shares opened lower on the weak Tokyo market and tensions in the Gulf and later fell sharply on government bond losses.

Equities attempted a late rally, but bargain-hunters were restrained by the jump in bond yields. The FT-SE 100 index closed 28.0 lower at 2,400.7, and the FT Ordinary index was down 27.3 at 1,889.6.

Gilts ended with losses of more than 1 point at the long end as a jump in June bank lending and surging retail sales reawakened inflation fears. Details, Page 40

Zurich also attracted considerable foreign buying on the dollar's gains although late profit-taking lifted prices off their highs. The *Crédit Suisse stock index added 8.5* to 565.5.

Here, too, banks and insurers performed particularly well. Swiss Bank added SFr 21 to SFr 503 in the wake of its first-half results. Swiss Ré was up SFr 200 to SFr 18,000 and Winterthur gained SFr 75 to SFr 6,800.

Chemical Ciba-Geigy put on SFr 80 to SFr 3,920, and engineer Brown Boveri was up SFr 30 to SFr 2,520.

Amsterdam finished little changed after a strong start ran into profit-taking. Internationals were mainly lower, with KLM off 70 cents at Fl 53.20 and Royal Dutch shedding Fl 1.90 to Fl 289.

In the battle-scarred publishing sector, Elsevier eased 30 cents to Fl 55.80 after its chairman told shareholders the company would not mind failing to take control of rival Kluwer provided it had a stake in a merged Kluwer-Wolters Samsom company. Kluwer fell Fl 3 to Fl 409.

Banks and insurers mainly held on to the day's gains, with ABN up Fl 3 at Fl 489 and Aegon 30 cents higher at Fl 97.50.

Paris fell back in reaction to last week's disappointing trade figures for June and on technical factors connected with the imminent close of the July trading account. Foreign investors were largely absent in thin summer trading.

Electronics losers included Moulinex, down FFr 4 to FFr 67, and Matra, which fell FFr 86 to FFr 2,214. Construction stock Bouygues eased FFr 5 to FFr 1,115.

In the car sector, Michelin fell FFr 40 to FFr 3,140 and Valéo FFr 7 to FFr 580. But some food stocks gained from the stronger dollar, with Perrier up FFr 12 at FFr 806 and Fromageries Bel adding FFr 59 to FFr 1,260.

Milan rose again in active trading on fresh demand from overseas and confidence that a new governing coalition would soon be formed.

Among the market leaders, *Montedison gained L54 to L2,529,* and Fiat was up L241 to L12,390. Agricola, the holding company of Ferruzzi, added L48 to L2,446.

Insurers were strong, with Ras *climbing L900 to L65,800.*

Oslo reached its sixth consecutive record high, led by banks and insurers on market optimism that interest rates would soon come down. Trade was brisk, and some dealers were reported to have cancelled summer holidays to remain in the market. The all-share index added 2.38 to 353.55.

Bergen Bank gained NKr 11.50 to NKr 190 and Christiania Bank NKr 8 to NKr 200. Oils remained strong on rising crude prices.

Madrid climbed to its second record running on Friday's good inflation figures and hopes for lower interest rates. The general index gained 4.02 to 264.39.

Telefonica was up 6 percentage points at 231 per cent of nominal market value, and Banco Popular gained 60 points to 1,740 per cent.

Stockholm eased from its recent strong gains on profit-taking under pressure from a rise in interest rates. Trading was light.

Brussels was closed yesterday in advance of today's national holiday.

ASIA

Weak yen sends Nikkei into third-biggest dive

TOKYO

A WEAKER yen and the slumping bond market depressed the Tokyo Stock Exchange yesterday and led the Nikkei average into its third-biggest single-day loss, *writes Shigeo Nishiwaki of Jiji Press.*

The market barometer of 225 select issues shed 654.81 points from last week's close to 23,328.64. Trading was thin, with 388.43m shares changing hands compared with Friday's 534.43m. Declines far outnumbered advances by 774 to 172, with 85 issues unchanged.

The yen fell to a four-month low against the dollar on the Tokyo foreign exchange market, and bond prices tumbled on both cash and futures markets, driving institutional and other investors to the sidelines.

On the trading floor, Tokyo Electric Power, a market leader since last autumn, slipped below Y6,000 to Y5,850, down Y240. The issue has fallen 38 per cent from its all-time high of Y9,420 last April.

Other power and gas utilities nursed big falls, with Kanasai Electric Power falling Y110 to Y2,980 and Tokyo Gas Y41 to Y999.

Large-capital stocks came under small-lot selling pressure. Nippon Steel, though topping the active list in trade of 19.63m shares, closed Y11 lower at Y300 after at one point falling below Y300 to Y298.

Ishikawajima-Harima Heavy Industries dipped Y20 to Y586, Kawasaki Steel Y5 to Y230 and Mitsubishi Heavy Industries Y23 to Y547.

Securities houses also fared poorly on prospects that the slumping bond market may force them to trim profit estimates for the business year ending in September.

Nomura Securities lost Y280 to Y4,030 and Nikko Y220 to Y2,050. Other financials were lower, with Sumitomo Bank declining Y200 to Y3,480, Sumitomo Trust and Banking Y330 to Y3,530, and Tokio Marine and Fire Insurance Y60 to Y2,060.

Property issues, electric railways and chemicals also lost ground. Mitsubishi Estate dipped Y190 to Y2,450 while Tokyo Corp and Sumitomo Chemical closed Y150 and Y40 lower at Y1,390 and Y800.

By contrast, some high-technology stocks, notably electricals, were sought on signs of a dramatic improvement in their earnings for the business year ending next March.

Matsushita Electric was the second-busiest issue with 16.45m shares traded, gaining Y30 to Y2,400. Konishiroku Photo advanced Y24 to Y859, Fujitsu Y10 to Y1,130 and NEC Y80 to Y1,950. But Sharp, which touched Y30 at one point, finished Y10 lower at Y1,240. Toshiba fell Y14 to Y808.

The bond market declined, affected by the yen's continued drop against the dollar. The yield on the benchmark 5.1 per cent government bond, maturing in June 1996, opened at 4.550 per cent, down from Friday's 4.570 per cent.

Later, the Finance Ministry's Debt Consolidation Fund purchased long-term government bonds to prop up the faltering market, sending down the yield to 4.490 per cent.

But the action did not help ease selling pressure, and the yield rose again to end at 4.655 per cent. In inter-dealer trading, the yield on the benchmark issue later climbed to 4.675 per cent.

On the futures market, the yield on the September contract topped 5 per cent, reaching 5.029 per cent, up from Friday's 4.781 per cent.

HONG KONG

STRONG local and institutional buying of bank and utility issues led Hong Kong prices up sharply to their fifth consecutive record close. The Hang Seng index rose 43.96 to 3,386.09.

Advances were led by an 8.5 per cent surge by Bank of East Asia, up HK$2.55 to a year's high of HK$32.25. The share was supported by unconfirmed rumours it was to become a takeover target.

Among similarly buoyant utilities, China Light moved 10 cents ahead to HK$24.90 and Hongkong *Electric picked up 10 cents to* HK$9.55. Hong Kong & China Gas was HK$1 firmer at HK$20.30.

Quality commercials and industrials joined the bull run, with Hutchison Whampoa 10 cents to the good at HK$13.40 and Jardine Matheson up 20 cents at HK$18.90.

SINGAPORE

STRONG bouts of profit-taking stalled some blue chips but failed to halt Singapore's record-breaking momentum in busy trade. The Straits Times industrial index rose 6.17 to a new peak of 1,398.04.

Among advances, Perlis Plantations rose 35 cents to S$6.75 following news of its planned merger with Federal Flour Mills and Rasa Sayang Beach Hotel. Federal Flour was 20 cents up at S$5.20.

Some quality issues made ground, with Singapore Land 10 cents higher at S$9.10, Singapore Press 25 cents up at S$9.90 and Singapore Steamship up 5 cents at S$2.55.

AUSTRALIA

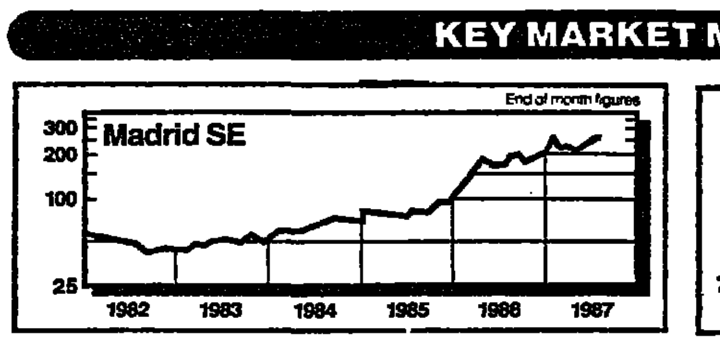
SMALL but widespread gains spurred by Friday's strength on Wall Street and Monday's cuts in prime interest rates took Sydney share prices to a further record close. The All Ordinaries index edged up 2.3 to a peak of 1,977.7.

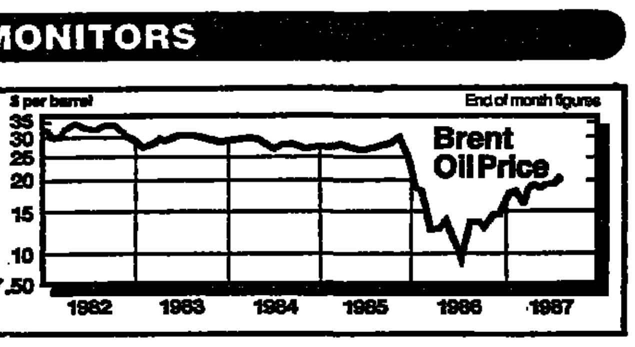
Golds took an early tumble as the bullion price fell. Some recovered, however, and Consolidated Exploration closed 30 cents firmer at A$5.30 while Placer Pacific added 13 cents to A$13.20.

In a mixed resource sector, Bell Resources fell back 8 cents to A$5.18 after last week's surge on news that it intended to buy 15 per cent of Texaco.

Foreign favourites advanced. News Corp added 30 cents to A$20.40, and Western Mining was 6 cents stronger at A$8.48. Oils rose with the rise in crude prices.

KEY MARKET MONITORS





STOCK MARKET INDICES

	July 20	Prev	Year ago
NEW YORK			
DJ Industrials	2,499.52*	2,510.04	1,774.00
DJ Transport	1,041.75*	1,047.02	723.63
DJ Utilities	203.54*	204.97	200.92
S&P Comp.	312.38*	314.59	236.36
LONDON FT			
Ord	1,889.6	1,916.9	1,276.30
SE 100	2,400.7	2,428.7	1,584.40
A All-share	1,213.82	1,234.49	778.58
A 500	1,345.96	1,341.54	849.01
Gold mines	424.80	429.70	188.40
A Long gilt	9.14	9.02	9.61
World Act. Ind (July 17)	129.83	130.63	92.18
TOKYO			
Nikkei	23,328.64	23,983.45	17,838.8
Tokyo SE	1,939.21	1,996.69	1,396.58
AUSTRALIA			
All Ord.	1,977.7	1,975.4	1,139.4
Metals & Mins.	1,269.1	1,270.1	501.0
AUSTRIA			
Credit Aktien	214.80	205.96	234.98
BELGIAN SE	(c)	5,058.50	3,657.58
CANADA			
Toronto			
Met.& Mins.	3,218.8	3,261.9	1,963.0
Composite	3,976.0	3,984.4	2,692.4
Montreal			
Portfolio	2,007.75	2,212.61	1,482.32
DENMARK SE			
SE	(-)	204.50	207.70
FRANCE			
CAC Gen	410.60	413.80	369.2
Ind. Tendance	104.50	104.90	87.90
WEST GERMANY			
FAZ-Aktien	650.02	646.33	602.16
Commerzbank	1,969.90	1,960.70	1,810.5
HONG KONG Hang Seng	3,386.09	3,342.13	1,759.60
ITALY Banca Comm.	700.46	691.10	683.91
NETHERLANDS ANP CBS			
Gen	320.60	319.80	289.5
Ind	271.00	268.40	290.1
NORWAY Oslo SE	457.25	458.49	350.99
SINGAPORE Straits Times	1,398.0	1,391.87	745.35
SOUTH AFRICA JSE			
Golds	2,279.0	2,278.0	1,276.1
Industrials	2,071.0	2,056.0	1,210.8
SPAIN Madrid SE	264.39	250.37	173.23
SWEDEN J & P	2,867.80	2,885.50	2,451.99
SWITZERLAND Swiss Bank Ind	650.60	645.20	529.7

COMMODITIES (London)

	July 20	Prev
Silver (spot fixing)	489.15p	475.25p
Copper (cash)	£1,024.0	£1,016.0
Coffee (July)	£1,215.0	£1,214.0
Oil (Brent Blend)	$20.625	$20.625

GOLD ($/oz)

	July 20	Prev
London	$451.25	$450.50
Zürich	$450.95	$450.95
Paris (fixing)	$448.20	$448.17
Luxembourg	$449.60	$452.90
New York (August)	$452.30	$449.30

CURRENCIES (London)

	US DOLLAR July 20	US DOLLAR Previous	STERLING July 20	STERLING Previous
$	–	–	1.6030	1.6085
DM	1.8620	1.8585	2.9825	2.99
Yen	152.80	152.75	244.75	245.75
FFr	6.1950	6.185	9.925	9.9475
SFr	1.5505	1.5475	2.485	2.49
Fl	2.0970	2.0915	3.355	3.365
Lira	1,345	1,344	2,155	3,365
BFr	38.60	38.50	61.80	2,162
C$	1.3185	1.3185	2.1125	2.1220

INTEREST RATES

	July 20	Prev
Euro-currencies (3-month offered rate)		
£	9 9/16	9 9/16
SFr	4	3 7/8
DM	4	3 15/16
FFr	7 11/16	7 13/16
FT London Interbank fixing (offered rate)		
3-month US$	7	6 15/16
6-month US$	7 1/16	7 1/16
US Fed Funds	6 5/8*	6 5/8
US 3-month CDs	6.50*	5.72
US 3-month T-bills	5.525*	6.725

FINANCIAL FUTURES

	Latest	High	Low	Prev
CHICAGO				
US Treasury Bonds (CBT) 8% 32nds of 100%				
July 20 (Sept)	91-28	91-30	91-17	92-10
US Treasury Bills (IMM) $1m points of 100%				
(Sept)	94.24	94.27	94.21	94.24
Certificates of Deposit (IMM) $1m points of 100%				
(Sept)	n/a	n/a	n/a	n/a
LONDON				
Three-month Eurodollar $1m points of 100%				
(Sept)	92.88	92.91	92.86	92.94
20-year Notional Gilt £50,000 32nds of 100%				
(Sept)	123-09	124-18	123-08	124-29

US BONDS

Treasury

	July 20* Price	July 20* Yield	Prev Price	Prev Yield
7 1/4 1989	100 5/32	7.354	100 8/32	7.302
7 1994	96 28/32	8.206	96 30/32	8.200
8 1/2 1997	100 20/32	8.402	100 28/32	8.38
8 3/4 2017	100 18/32	8.692	101 14/32	8.57

Source: Harris Trust Savings Bank

Treasury Index

Maturity (years)	Return index (July 20)	Day's change	Yield	Day's change
1–30	163.17	+0.23	6.93	−0.03
1–10	154.63	+0.12	6.66	−0.03
1– 3	144.03	+0.07	6.37	−0.03
3– 5	157.57	+0.17	6.71	−0.03
15–30	193.58	+0.59	7.78	−0.03

Source: Merrill Lynch

Corporate

	July 20* Price	July 20* Yield	Prev Price	Prev Yield
AT & T 3 7/8 July 1990	93.35	6.40	93.19	6.45
SCBT South Central 10 1/2 Jan 1993	102.5	10.28	102.5	10.27
Phibro Sal 8 April 1996	92.07	9.35	91.79	9.40
TRW 8 3/8 March 1996	96.77	9.30	96.49	9.35
Arco 9 3/8 March 2016	101.66	9.70	101.66	9.70
General Motors 8 5/8 April 2016	84.82	9.70	84.81	9.70
Citicorp 9 3/8 March 2016	91.94	10.25	91.09	10.35

Source: Salomon Brothers

* *Latest available figures*